A 360° view of global real estate
Overview

Access the **full spectrum** of today’s commercial real estate investment opportunities with Principal Real Estate Investors. We provide the **reach**, **research**, and **returns** you need to meet your investment goals.

**Reach** | To give our clients access

Our preferred access to commercial real estate opportunities results from several factors:

- **The scope and scale of our operations.** We completed more than $14.1 billion in private equity, private debt, and project financings in 2018,

  1 As of 31 December 2018. Includes Principal Real Estate Investors and Principal Real Estate Europe transactions.

  2 As of 30 June 2019

  3 Includes clients of, and assets managed by, Principal Real Estate Europe Limited and its affiliates.

  4 Managers ranked by total worldwide assets (net of leverage), as of 30 June 2018. “Largest Real Estate Managers,” PENSIONS & INVESTMENTS, 1 October 2018. Currently, our European platform only operates in private equity markets.

  5 Principal Real Estate Investors became registered with the SEC in November 1999. Activities noted prior to this date were conducted beginning with the real estate investment management area of Principal Life Insurance Company and, later, Principal Capital Real Estate Investors, LLC, the predecessor of Principal Global Investors Real Estate.

  generating valuable insights and knowledge for our clients.

- **The depth of our industry and client relationships.** We cover approximately 45 U.S. metropolitan markets and we manage over 150 assets across 9 European countries. And we serve more than 475 institutional clients from 25 countries and rank among the top 10 managers of real estate assets worldwide.

- **The size and global diversity of our investment team.** We can access a wide range of high-quality market opportunities with our experienced team of more than 275 real estate investment professionals around the globe.

**Research** | To assess relative value

We believe research is key to delivering on our clients’ investment outcomes. It’s also our fundamental factor in evaluating the relative value of each investment opportunity. We base our investment decisions on a combination of bottom-up asset analysis and top-down economic and sector analyses.

**Returns** | To help meet desired outcomes in innovative ways

We strive to deliver consistent, risk-appropriate performance and strong relative value. In a constantly evolving marketplace, innovation is critical to that mission, whether it’s sustainable investing or “next-generation” investment strategies.

We built our reputation as a trusted advisor to institutional investors on six decades of commercial real estate experience.

Our clients tap into a wide range of capabilities through our top-tier investment platform—either through convenient commingled portfolios or tailored investment strategies.

In every case, clients benefit from an approach that leverages our distinct 360° perspective of real estate space and capital markets.
Experienced investment teams around the globe

Our seasoned teams of investment professionals in the United States, Europe, Singapore, and Australia deliver comprehensive research and market coverage. They average 15 years of industry experience and 9 years of firm experience.

**Global network of offices and real estate professionals**

- Principal Real Estate Investors locations
- Principal Global Investors locations
- Principal Real Estate Europe locations

**Extensive, deep-rooted market connections**

We don’t just watch markets move. We actively engage throughout the investment cycle.

On the private equity side, we create and realize value for our clients through tactically executing a property’s business plan. We can do this because of our extensive relationships with local brokers, property managers, partners, owners, and peers.

Within the debt space, we build and foster relationships with intermediaries and other lenders to enhance our extensive sourcing and underwriting network.
Four quadrants—and a 360° view of commercial real estate

The power of information

There are four distinct “quadrants” of commercial real estate investing: public equity, private equity, public debt, and private debt. We provide focused expertise through dedicated teams in each quadrant. And we enhance that focus through the insights and potential added value of cross-team collaboration.

Clients want choice and customization. We deliver.

By investing across all four quadrants of commercial real estate, we’re not limited by a narrow view of the market. And our clients aren’t limited to a single commercial real estate strategy. We can customize a commercial real estate portfolio to help meet any unique risk and return objective. Whatever commercial real estate strategy or combination of strategies you believe is right for your objectives—we can help.

Multiple risk-return options

For illustrative purposes only and not a projection of returns to any investor. This information is intended to show a general risk profile and is based upon certain assumptions that may change. The characterization of the increasing risk is only made to illustrate the Firm’s view of the relative increasing investment risks inherent in these types of real estate investments. All are subject to various risks, none of which are outlined. An investor must be prepared to bear capital losses, including a loss of all capital invested.

As of 30 June 2019. Assets under management figures shown do not include assets that are managed by Principal International and Retirement and Income Solutions divisions of Principal.

6 Currently, our European platform only operates in private equity markets.
Private equity

We provide expertise in all areas of the private equity real estate market, including acquisitions, dispositions, asset management, and development. We source and close a significant number of high-quality investments to meet the targeted outcomes of our investors.

Leasing is a key strength for our U.S. platform. We have executed more than 25,000 leases across 430 million square feet since 2001. In Europe, our private equity capabilities stretch across traditional sectors like office, retail, and logistics, to specialized alternative sectors such as residential and health care.

As of 30 June 2019.

Public equity

Since 1997, we have used our expert knowledge of the various commercial real estate security property sectors and regions to exploit market inefficiencies and generate alpha for our clients. We boast a very stable and proven portfolio management team that has historically generated outperformance across market cycles.

Our real estate securities team uses fundamental research to analyze and invest in securities issued by real estate-related companies. Combine that with the insights from our in-house private real estate professionals and equity analysts, and the result is a higher conviction in a company’s performance potential—an important ingredient to help clients achieve the outcomes they want.

Our private equity capabilities:

Our platforms in the U.S. and Europe provide a range of investment capabilities from traditional core strategies to opportunistic property development and redevelopment.

- Core and core-plus
- Value-add and development

Our public equity capabilities:

Our globe-spanning public real estate equity offerings focus on identifying opportunities where our team’s expectations differ from the consensus.

- U.S. real estate securities
- Global real estate securities
- Global real estate securities income preference
- Global concentrated real estate securities
- Custom real estate securities strategies
Private debt

With more than 55 years of private debt investment experience and over 115 investment professionals, we’ve earned a reputation as a leader in the private debt market.\(^8\)

Over that time, we’ve found that delivering the best outcomes for private real estate debt investors means controlling the timing and quality of every aspect of a commercial mortgage transaction. We can do just that through our vertically integrated debt platform, which includes underwriting, closing, appraising, engineering, researching, and servicing.

As the complexity of real estate deals has increased, we’ve upgraded our skill set to specialize in intricate transactions (e.g., B-notes, mezzanine loans, construction loans, and bridge loans). These enhancements allow us to offer our clients an even broader set of private debt opportunities from core and core plus, through value-add.

Our private debt capabilities:

Our debt strategies are available through a variety of options, including closed-end funds, and separately managed accounts:

- Fixed- and variable-rate loans
- Subordinated debt
- Construction/permanent lending
- Office, retail, industrial, multifamily, hotel lending
- Self-storage and manufactured housing lending
- Preferred equity

Public debt

Investors are drawn to commercial mortgage-backed securities (CMBS) for the potential yield enhancement, diversification benefits, and attractive risk-adjusted returns. And as one of the early investors in CMBS, our public debt team has modeled every U.S. fixed-rate conduit deal since 1999. Today, we research more than 1,000 CMBS issuances every year—in both seasoned and new-issue pools.

We strive to achieve consistent outperformance and believe that superior security selection and disciplined monitoring are the keys to reaching that goal. Our proprietary dynamic CMBS-default model is another factor in our success, allowing granular loan-level analysis to inform a robust investment process.

Our public debt capabilities:

With diverse offerings across the risk spectrum, our CMBS strategies can suit any number of investor appetites, from buy-and-hold to opportunistic.

- Total return
- Yield-oriented
- Balanced
- High yield
- Opportunistic
- Asset-liability matching

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Our European real estate platform

Our European platform delivers access to diversified and sector-specific strategies. We provide exposure to core European real estate in traditional sectors like office, retail, and logistics. Clients can also access specialized alternative sectors like residential, health care, and hotels.

The senior management team’s extensive core and opportunistic track records—particularly in private equity and specialist alternative sectors—help us realize value where others cannot. Our expertise in sourcing and executing complex, management-intensive strategies provides clients with a broader real estate opportunity set than many managers can offer.

We’re able to access real-time market information, track deal flow, and understand regional market dynamics because of our team of local transaction professionals in the United Kingdom, Germany, France, Spain, Portugal, Italy, and the Netherlands.

Our pan-European private equity capabilities:

Core European  |  Hotel and leisure  |  Senior care homes  |  Opportunistic  |  Value-add
Innovation through sustainability

Sustainable real estate practices can help reduce risk, improve a property’s competitive stature, and increase tenant interest and retention—ultimately providing a foundation for potentially higher rents. As fiduciaries for our investors, we understand, quantify, and act upon sustainability through our Pillars of Responsible Property Investing (PRPI) initiative. Its aim is to strengthen financial track record of real estate investments by focusing on market resilience, corporate governance, and property performance.

Milestones and awards

- Awarded the EPA ENERGY STAR Partner of the Year – Sustained Excellence Award (2018, 2019)
- Awarded the EPA ENERGY STAR Partner of the Year Award (2016, 2017)8
- Received a performance band score of “A+” in the PRI Assessment (2017, 2018, 2019)9
- Charter member of the U.S. Department of Energy Data Lab, and leading participant in a pilot study on the link between real estate sustainability and improved financial performance (2016)
- Our core-plus commingled real estate strategy and our core property strategy earned GRESB Green Star designations for the fifth year in a row (2014-2018) and 4-star designations for the third year in a row (2016-2018)11
- Both strategies placed in the Top 10 of their peer group and outperformed peers on 6 out of 8 GRESB aspects (2018). They received perfect scores in 3 GRESB aspects: Management, Policy & Disclosure, and Risks & Opportunities.12

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8 Each year, the EPA honors organizations that have made outstanding contributions to protecting the environment through energy efficiency. April 2019, U.S. Environmental Protection Agency
9 Released July 2019. For further details, please refer to the PRI Assessment Methodology, Principal Global Investors full Assessment Report and Transparency Report, all of which is available upon request.
11 2018 GRESB assessment, GRESB Foundation, data as of 31 December 2017
12 Rankings out of 42 U.S. diversified, non-listed property strategies. (2018 GRESB assessment, data as of 31 December 2017)

Third party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. These ratings should not be construed as an endorsement of the advisor by any client nor are they representative of any one client’s evaluation.
Risk Warnings

Potential investors should be aware of the many risks inherent to investing in real estate, including: adverse general and local economic conditions that can depress the value of the real estate, capital market pricing volatility, declining rental and occupancy rates, value fluctuations, lack of liquidity or illiquidity, leverage, development and lease-up risk, tenant credit issues, circumstances that can interfere with cash flows from particular commercial properties such as extended vacancies, increases in property taxes and operating expenses and casualty or condemnation losses to the real estate, and changes in zoning laws and other governmental rules, physical and environmental conditions, local, state or national regulatory requirements, and increasing property expenses, all of which can lead to a decline in the value of the real estate, a decline in the income produced by the real estate, and declines in the value or total loss in value of investments in real estate.

Direct investments in real estate are highly illiquid and subject to industry or economic cycles resulting in downturns in demand. Accordingly, there can be no assurance that investments in real estate will be able to be sold in a timely manner and/or on favorable terms.

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