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Office of the Treasurer  
September 15, 2009

Members, Investment Committee

## AUTHORIZATION TO ISSUE REQUEST FOR PROPOSALS FOR VALUE-ADDED REAL ESTATE MANAGER

Recommendation: That the Investment Committee authorize investment staff and consultant, R.V. Kuhns & Associates (“RVK”), to issue a request for proposals for a value-added real estate manager.

Background: On June 16, 2008, the Investment Committee approved a revised asset allocation and manager structure, which includes new value-added and opportunistic real estate allocations of 4% each. On December 9, 2008, the Investment Committee approved the hiring of two value-added managers, Wrightwood Capital and T.A. Associates, for commitments of \$12,000,000 and \$8,000,000, respectively. The Committee also approved the hiring of two opportunistic managers on December 9<sup>th</sup>, although subsequently on March 10, 2009, the Committee approved an action to cancel contract negotiations with the opportunistic managers due to significant deterioration in the commercial real estate market, particularly for development, or more speculative projects, which are the focus of opportunistic managers.

There are currently attractive debt opportunities in the value-added real estate space that staff and RVK would like to evaluate further through an RFP process. Staff and RVK will issue the RFP in the fall and bring a final manager recommendation to the Committee at either the December 2009 or March 2010 meeting, if staff and RVK conclude that the University should proceed with contract negotiations for a particular value-added manager. Staff and RVK have concluded it is best at this time to wait until the real estate market improves before proceeding with a search for an opportunistic manager.

Staff and RVK have recently completed forecasting of the real estate allocation to determine the level of commitments needed to reach the target allocation of 12%. The objective is to build the allocation as prudently as possible, ensuring appropriate diversification across vintage year, strategy, geography and manager. At this time, it is expected that the University will reach the target allocation of 12% in 2013, with roughly one third each allocated to core, value-added and opportunistic strategies.

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Action Taken:     Approved         Disapproved         Other \_\_\_\_\_