

# **REAL ESTATE INVESTMENTS 2017**

## **GOVERNMENT PENSION FUND GLOBAL**

**Karsten Kallevig, CEO Norges Bank Real Estate Management**

**13.03.2018**

A woman and a young child are standing on a concrete pier, looking out at the ocean. The woman is wearing a red and white striped shirt and a dark skirt, and the child is wearing a red and white striped shirt and green pants. The ocean is a deep blue color with gentle waves. The text is overlaid on the right side of the image.

**Our mission is to  
safeguard and build  
financial wealth for  
future generations**

# REAL ESTATE INVESTMENTS

GOVERNMENT  
PENSION FUND  
GLOBAL

/2017

No. 03

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### RESULTS

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### INCOME AND COSTS

4.1 Income	52
4.2 Costs	54
4.3 Cash flow	60

# 7.5%

Investments in unlisted real estate returned 7.5 percent in 2017

51 billion kr 2013

106 billion kr 2014

180 billion kr 2015

191 billion kr 2016

219 billion kr market value 2017

8.6 billion kr net rental income

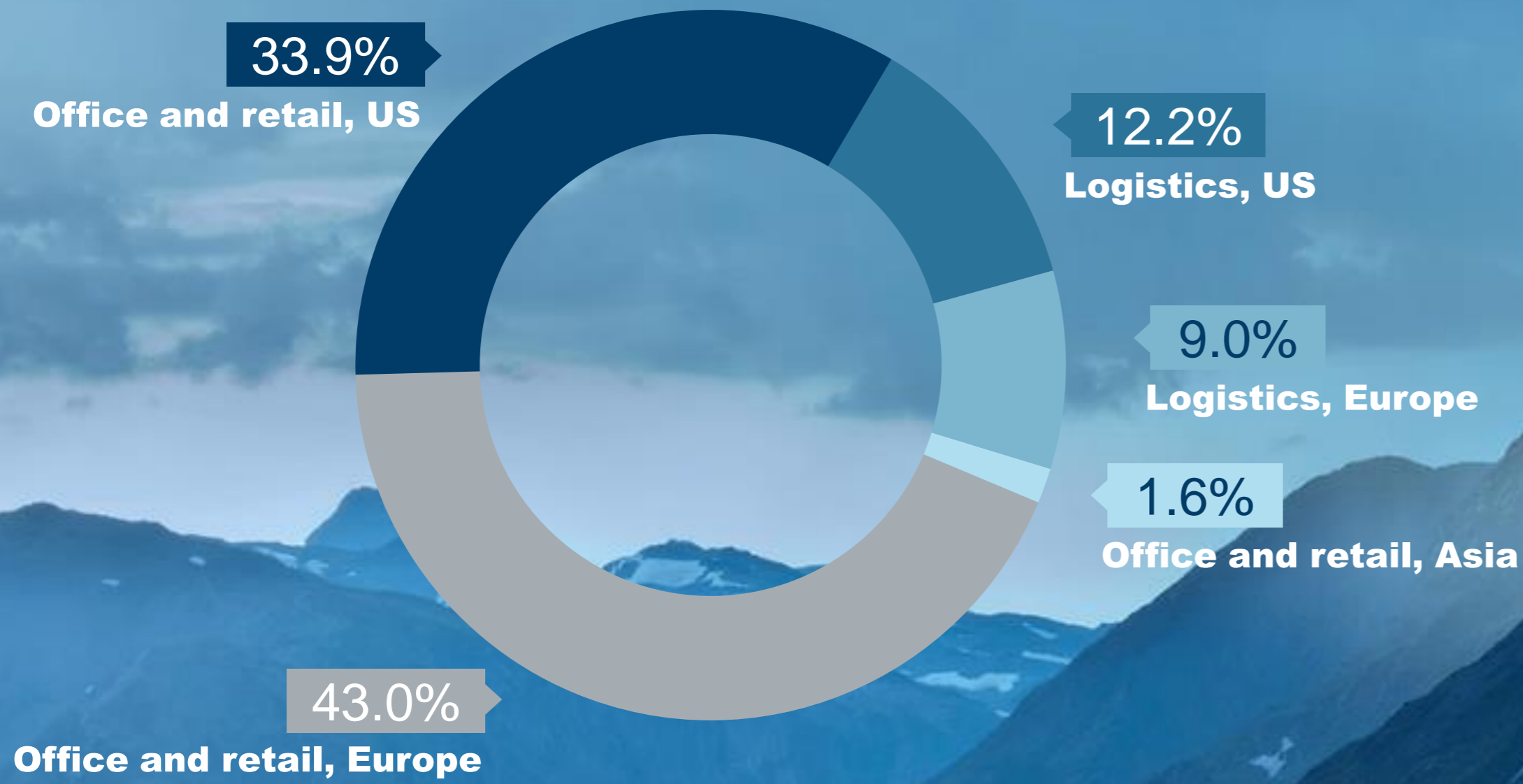
2.6 percent of the fund

775 properties in portfolio



<b>US</b>	<b>UK</b>	<b>FRANCE</b>	<b>SWITZERLAND</b>	<b>GERMANY</b>	<b>JAPAN</b>	<b>OTHER</b>
46.2%	23.5%	16.6%	3.9%	3.5%	1.6%	4.7%

**8,488** billion kr  
The fund's market value  
as at end 2017



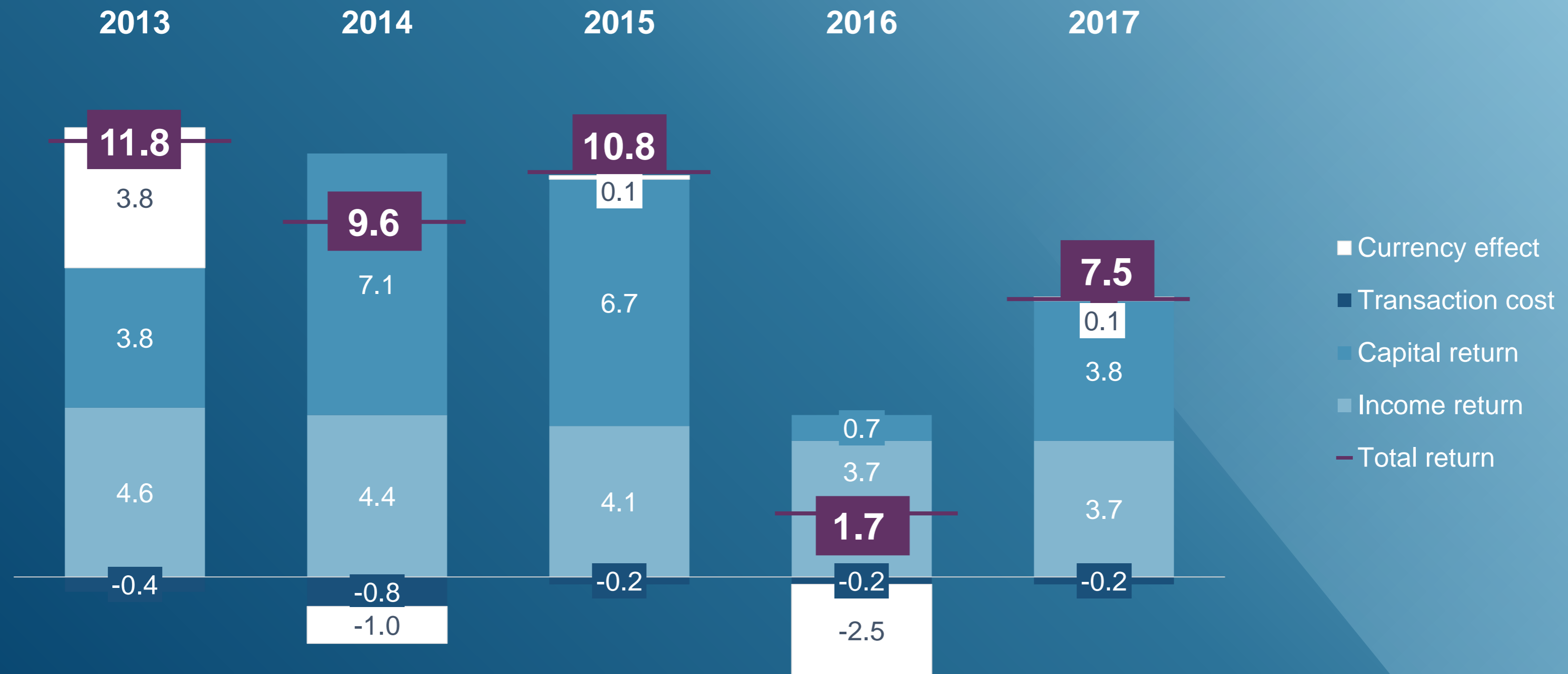
**66.6** EQUITY INVESTMENTS  
**2.6** UNLISTED REAL ESTATE INVESTMENTS  
**30.8** FIXED-INCOME INVESTMENTS

# RESULTS



# Annual return on real estate investments

Return measured in the fund's currency basket. Percent





# Annual relative return

Table 6. Return on unlisted real estate and funding return, measured in the fund's currency basket. Percent

	2017	2016	2015	2014	2013
Return unlisted real estate	7.5	1.7	10.8	9.6	11.8
Funding benchmark	6.8				
Reference index fixed income		4.2	0.6	7.6	-0.1
Return difference fixed income		-2.5	10.2	2.0	11.9
Return difference funding benchmark	0.7				

<sup>1</sup> Adjusted for transaction costs

# Annual relative return

Table 7. Property returns measured against IPD Global, measured in local currency. Percent

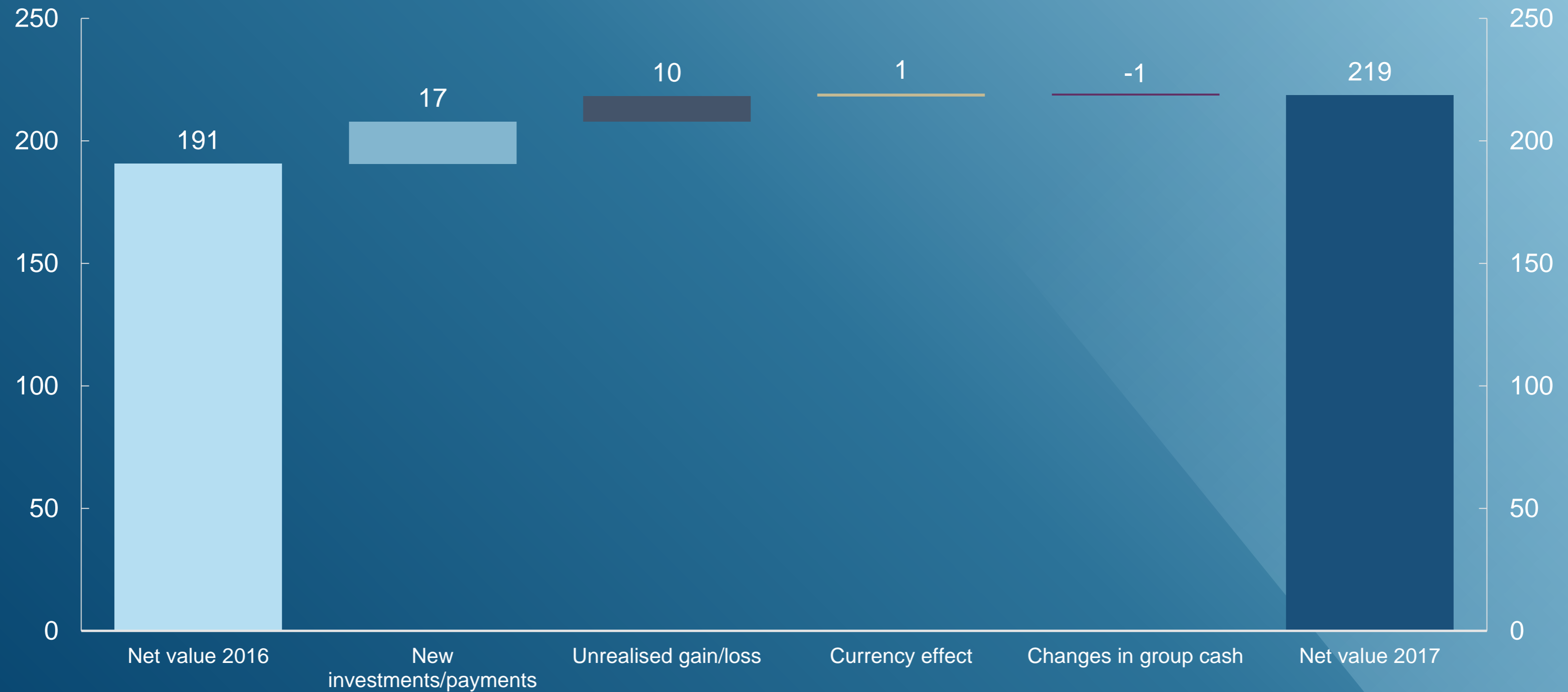
	2017 <sup>2</sup>	2016	2015	2014	2013
Property return on unlisted real estate investments	8.7	5.6	10.6	11.4	8.8
IPD Global <sup>1</sup>	n/a	7.7	10.9	10.1	8.5
IPD Global. Portfolio weights	n/a	6.9	11.6	11.4	6.8
Return difference to IPD Global	n/a	-2.1	-0.3	1.2	0.3
Return difference to IPD Global. Portfolio weights	n/a	-1.3	-1.0	0.0	2.0

<sup>1</sup> Adjusted for transaction costs

<sup>2</sup> IPD figures for 2017 not available

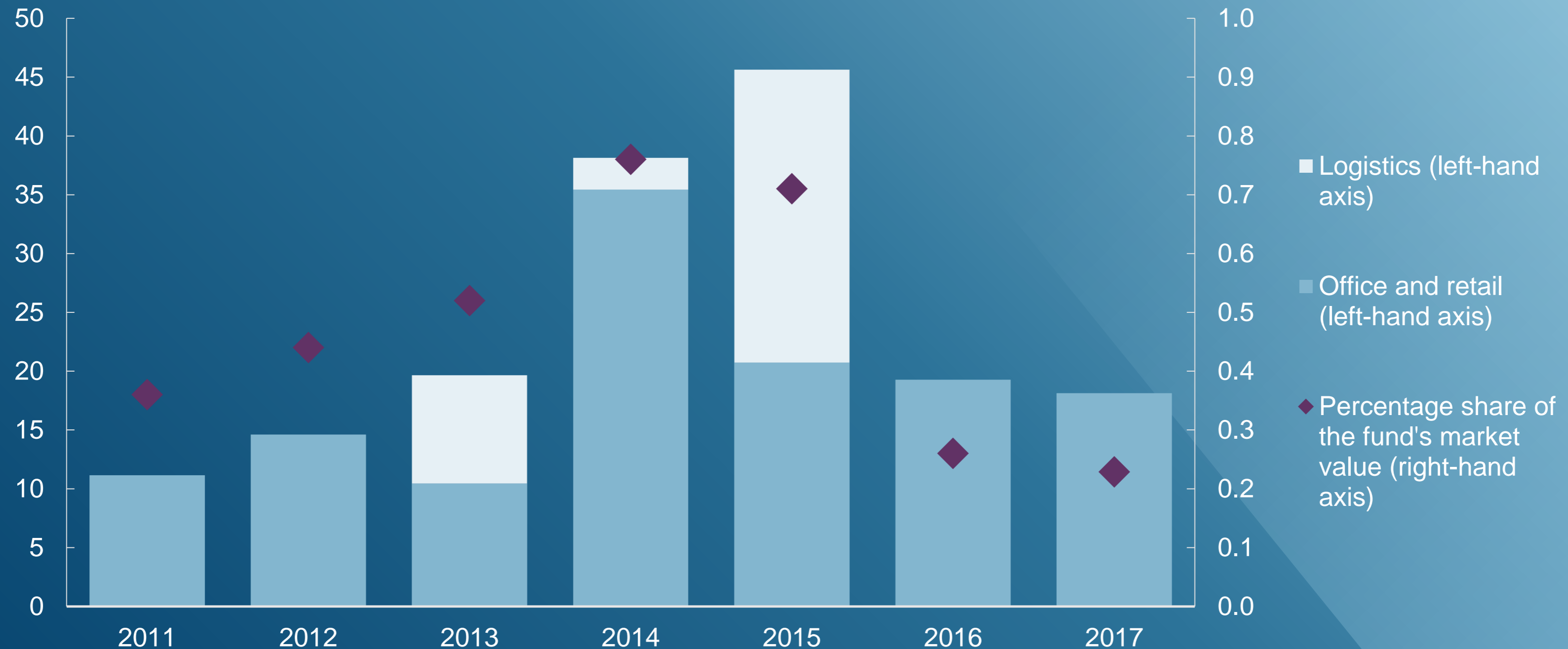
# Change in market value

Chart 7. Billion kroner



# Annual investments

Chart 8. Billion kroner and percent of the fund's market value

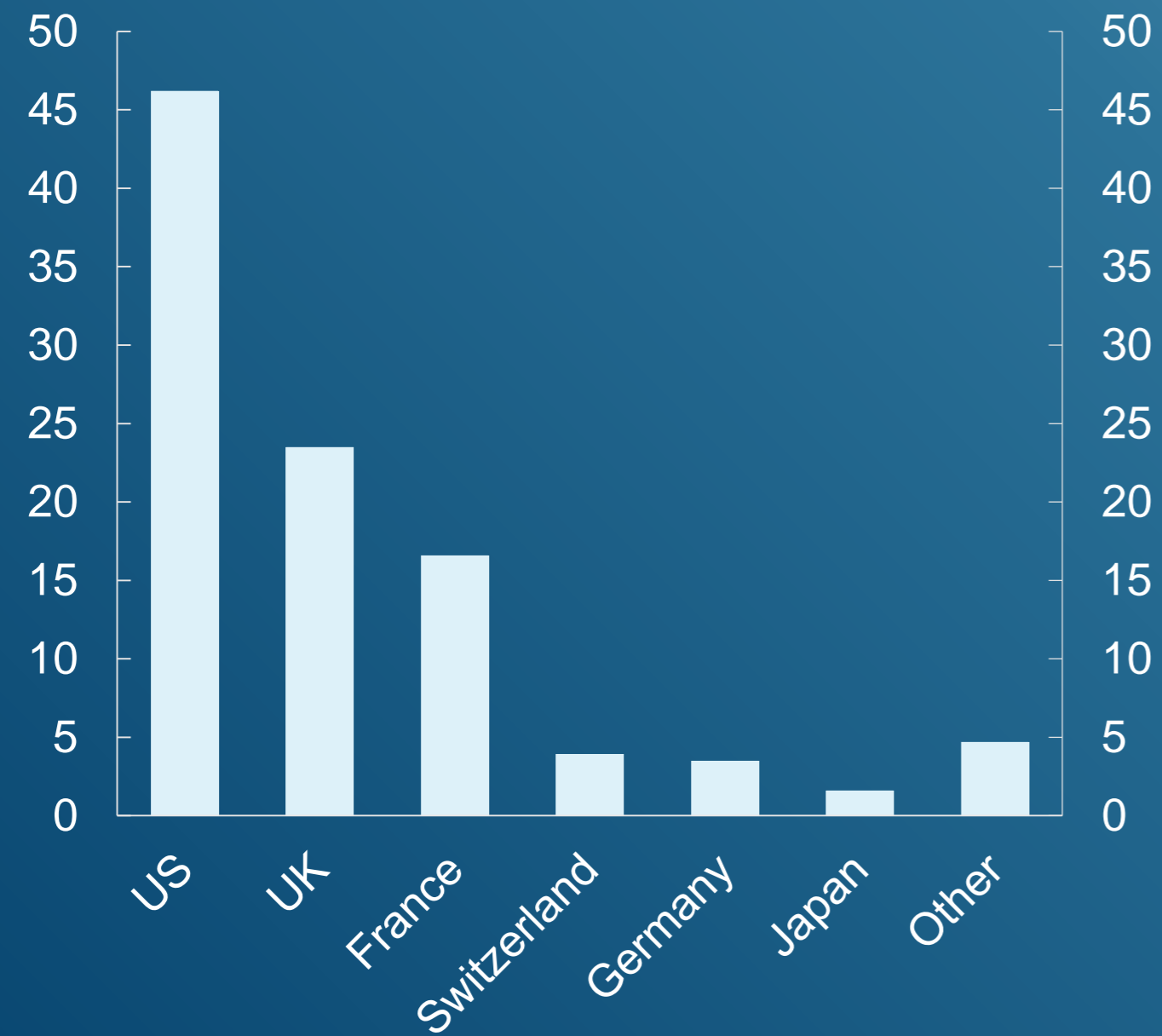




# THE INVESTMENTS

# The real estate portfolio as at 31.12.2017

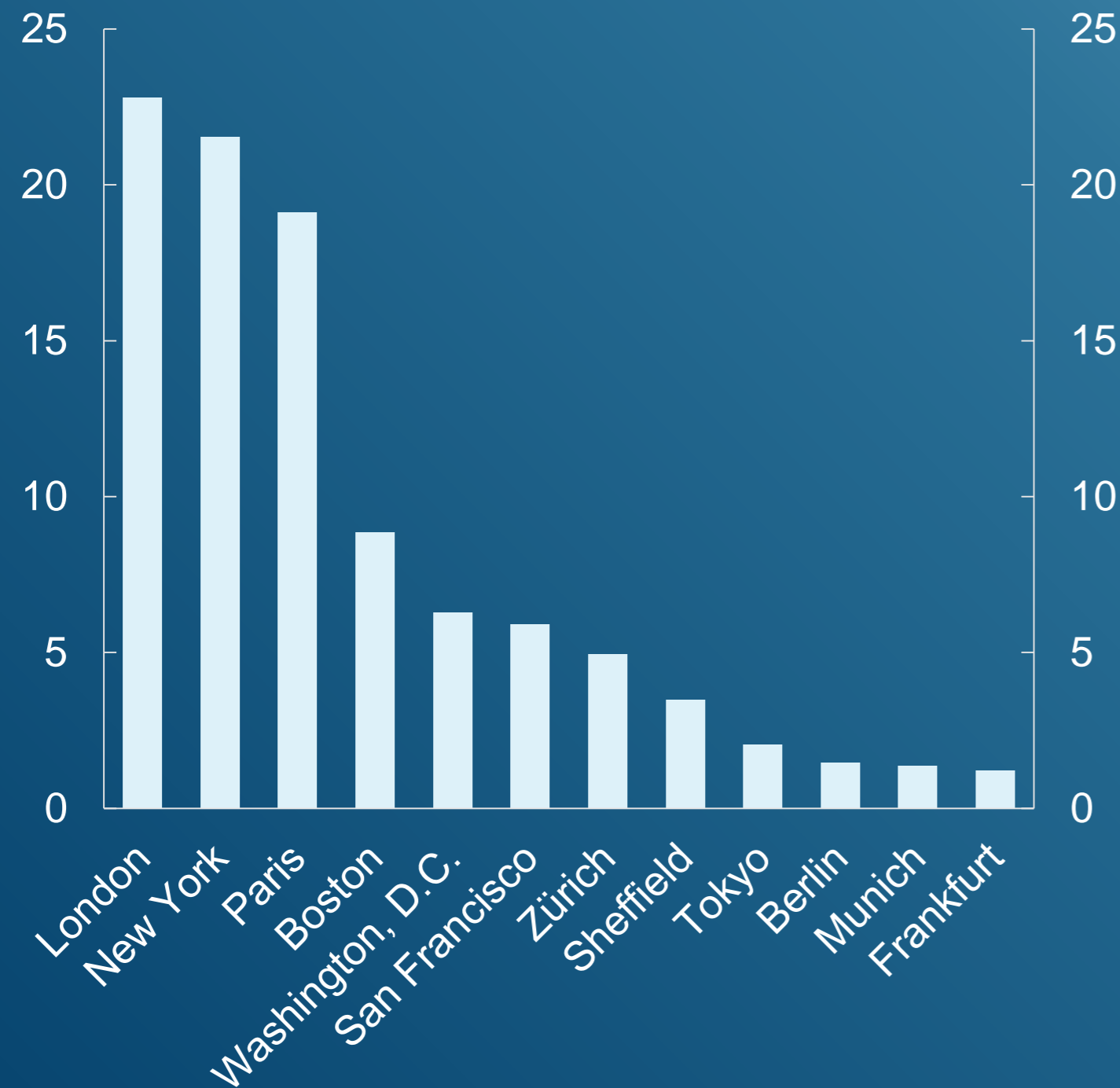
## Chart 1 and 2. Allocation



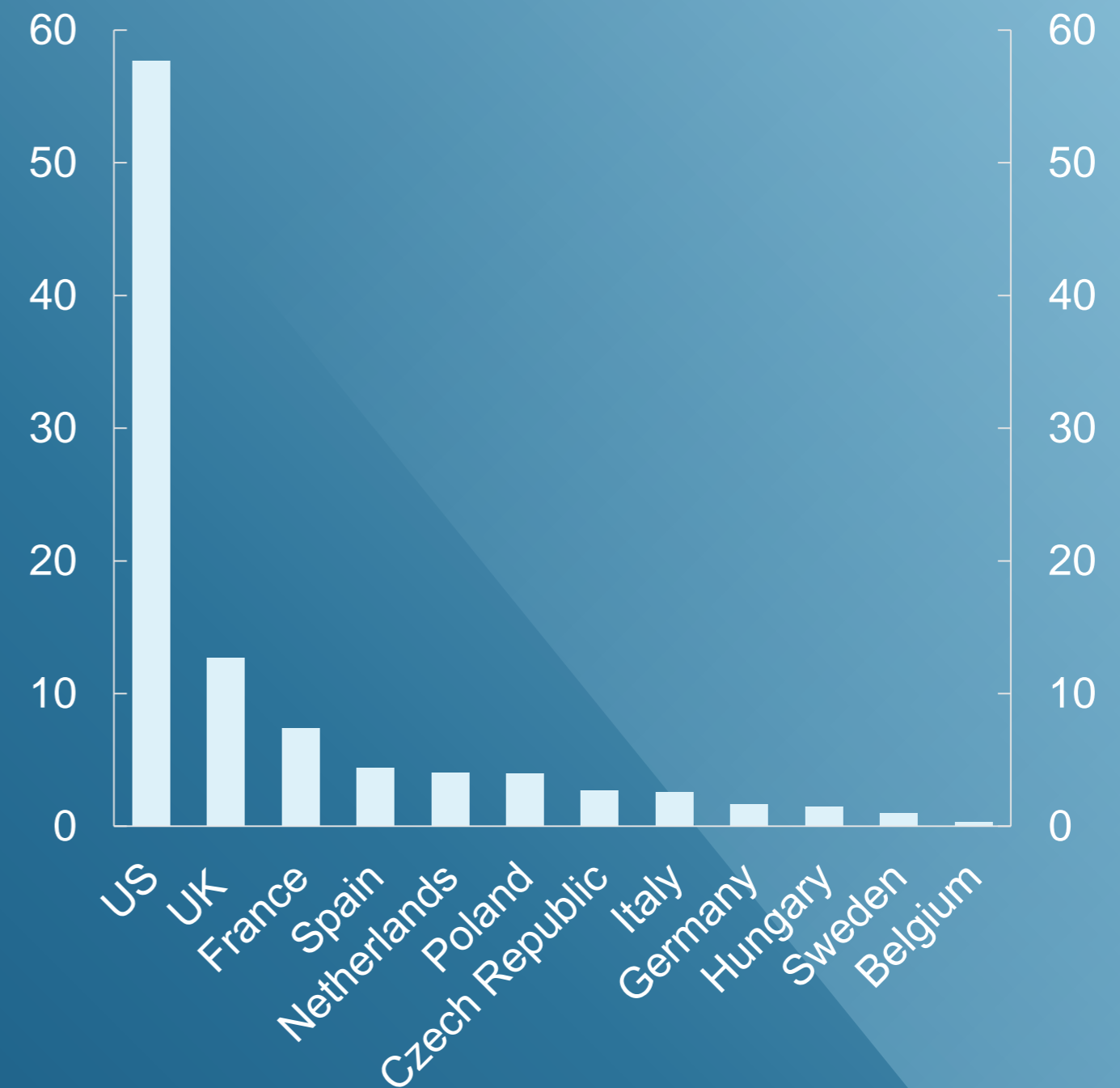
# The real estate portfolio as at 31.12.2017

Charts 3 and 4. Allocation

### Office and retail



### Logistics



# Investment partners

Table 1. Investment partners as at 31 December 2017. Percent

Investment partner	Region/country	Sector	Share of portfolio
Prologis US	US	Logistics	12.2
Prologis Europe	Europe	Logistics	9.0
Boston Properties	US	Office	9.0
Trinity Church Wall Street	US	Office	8.1
The Crown Estate	UK	Retail, office	7.9
TIAA	US	Office	7.0
MetLife	US	Office	5.2
AXA Real Estate France	France	Office, retail	4.7
British Land	UK	Retail	2.7
AXA Real Estate Germany	Germany	Office, retail	2.6
Kilroy Realty	US	Office	2.0
PGIM Real Estate	US	Office	1.6
Generali Real Estate	France	Office, retail	1.6
Tokyu Land Corporation	Japan	Retail, office	1.6
Oxford Properties Group	US	Office	0.7
<b>Total</b>			<b>76.0</b>

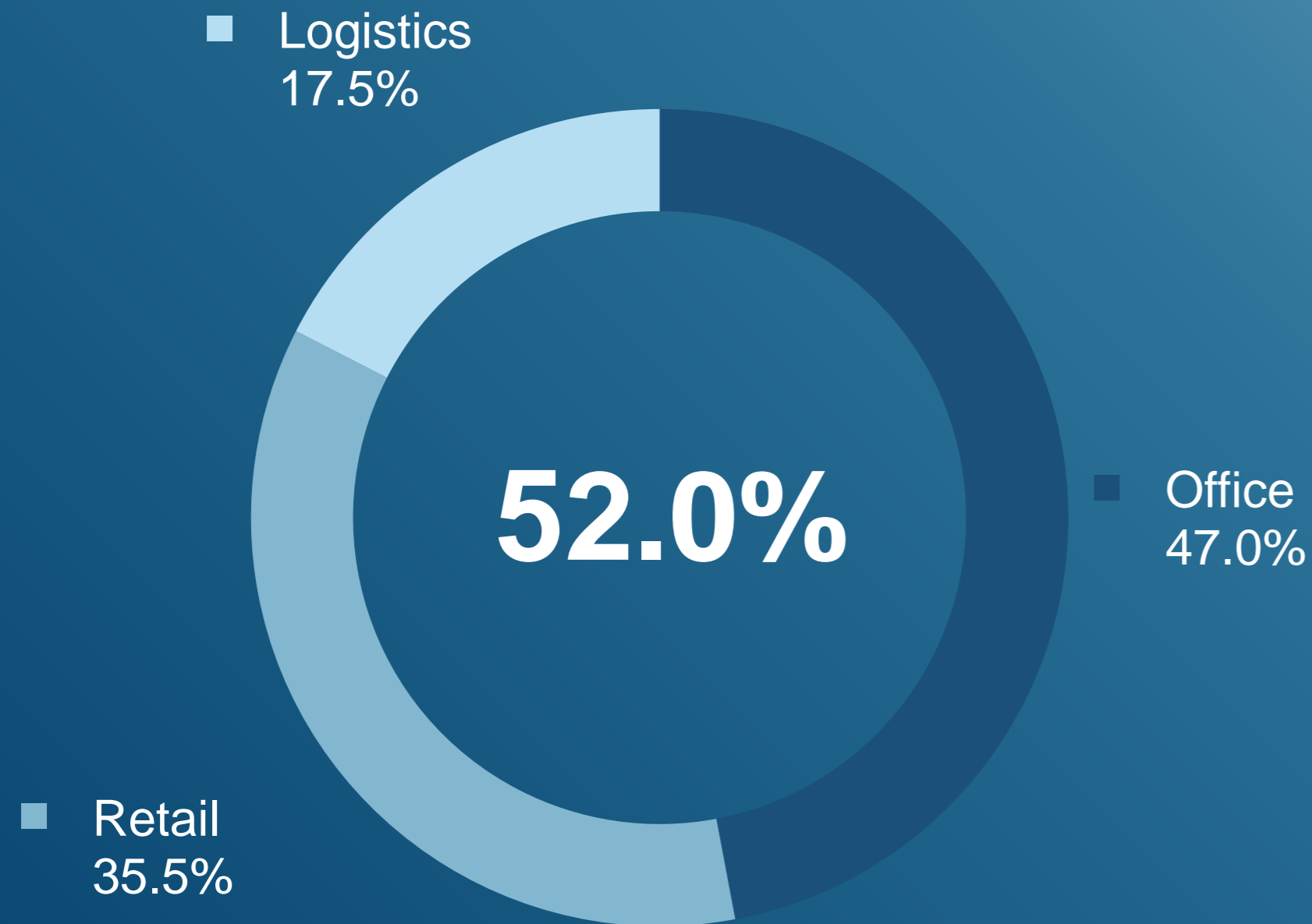


# INVESTMENTS IN EUROPE



# Investments in Europe

Chart 9. As at 31.12.2017



## Office and retail

Properties	179
Return in 2017	8.4
Average remaining lease term	11.3 years

## Logistics

Properties	235
Return in 2017	9.9
Average remaining lease term	4.9 years

# Investments in Europe

2017

## Office and retail

Total deals	5
Total assets	7
Total acquisition price	9,238 million kroner

## Logistics

Total deals	0
Total assets	0
Total acquisition price	0



# 10 Piccadilly

London

Sector

Office and retail

Ownership

25%

Invested capital

32 million pounds

Area

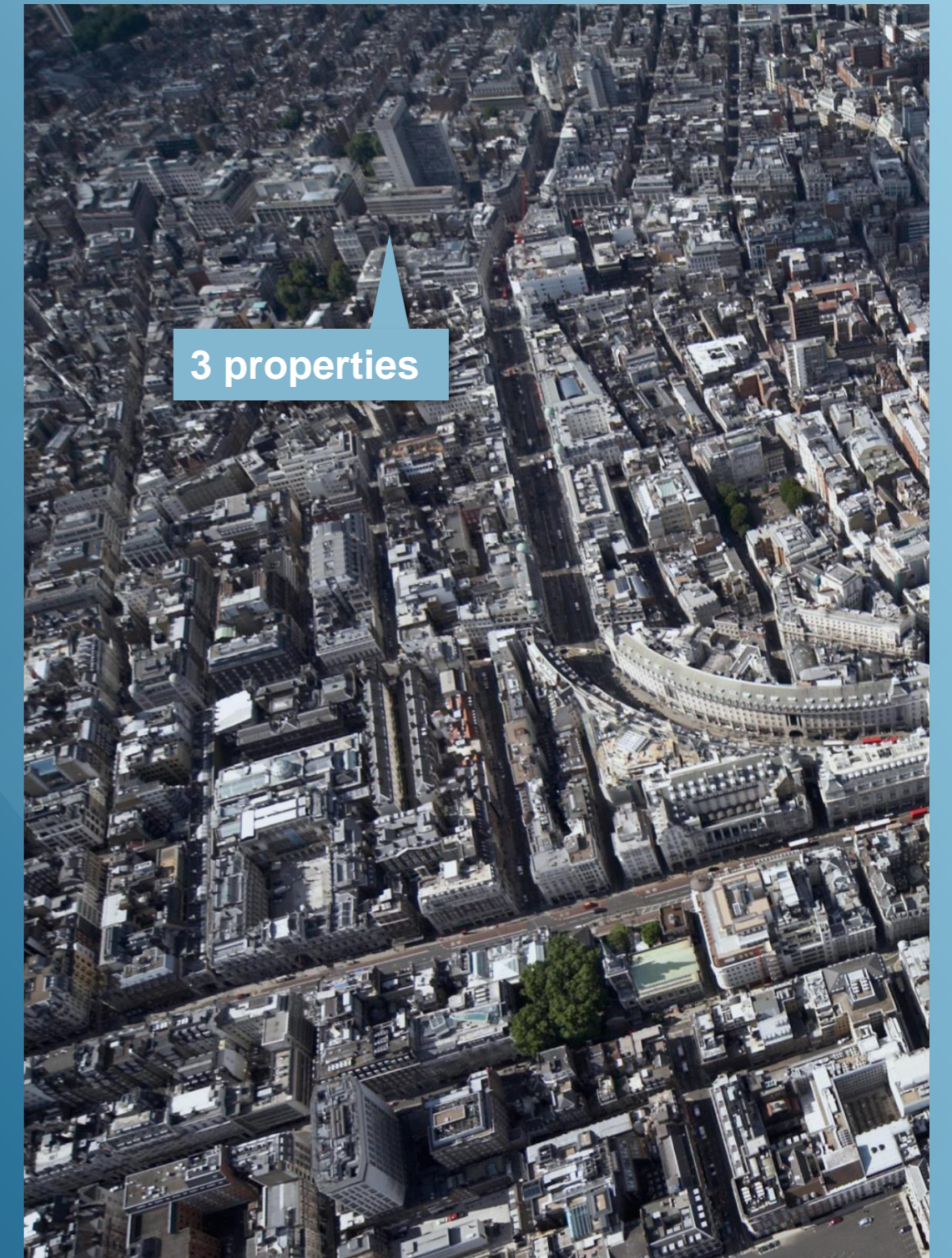
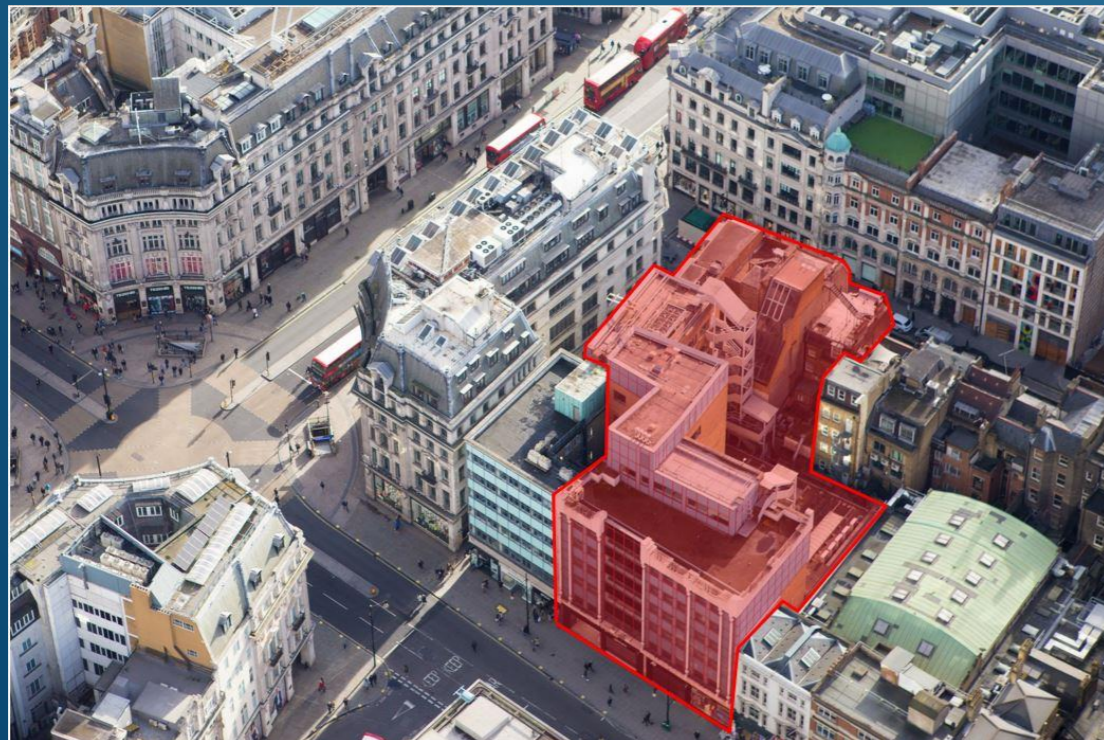
98,660 sq ft



# 263-269 Oxford Street, 1 to 4 Princes Street

London

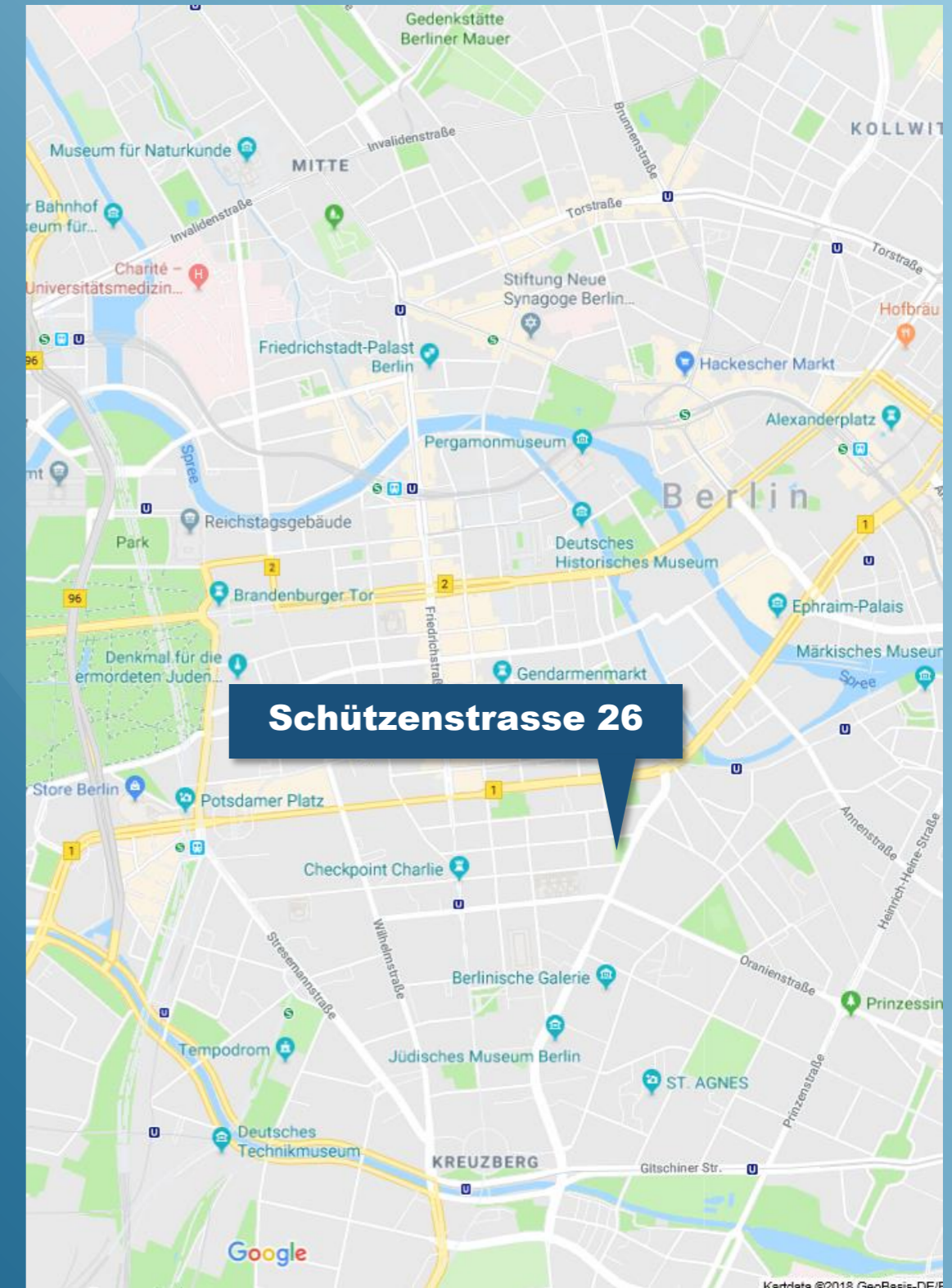
Sector	Office and retail
Ownership	25%
Invested capital	30 million pounds
Area	54,000 sq ft



# Schützenstrasse 26 (Axel Springer)

Berlin

Sector	Office
Ownership	100%
Invested capital	425 million euro
Area	52,200 sqm



# 6-8 boulevard Haussmann

Paris

Sector

Office

Ownership

100%

Invested capital

462.2 million euro

Area

24,500 sqm



# 20 Air Street

London

Sector

Office and retail

Ownership

25% (50%)

Invested capital

112.5 million pounds

Area

270,000 sq ft



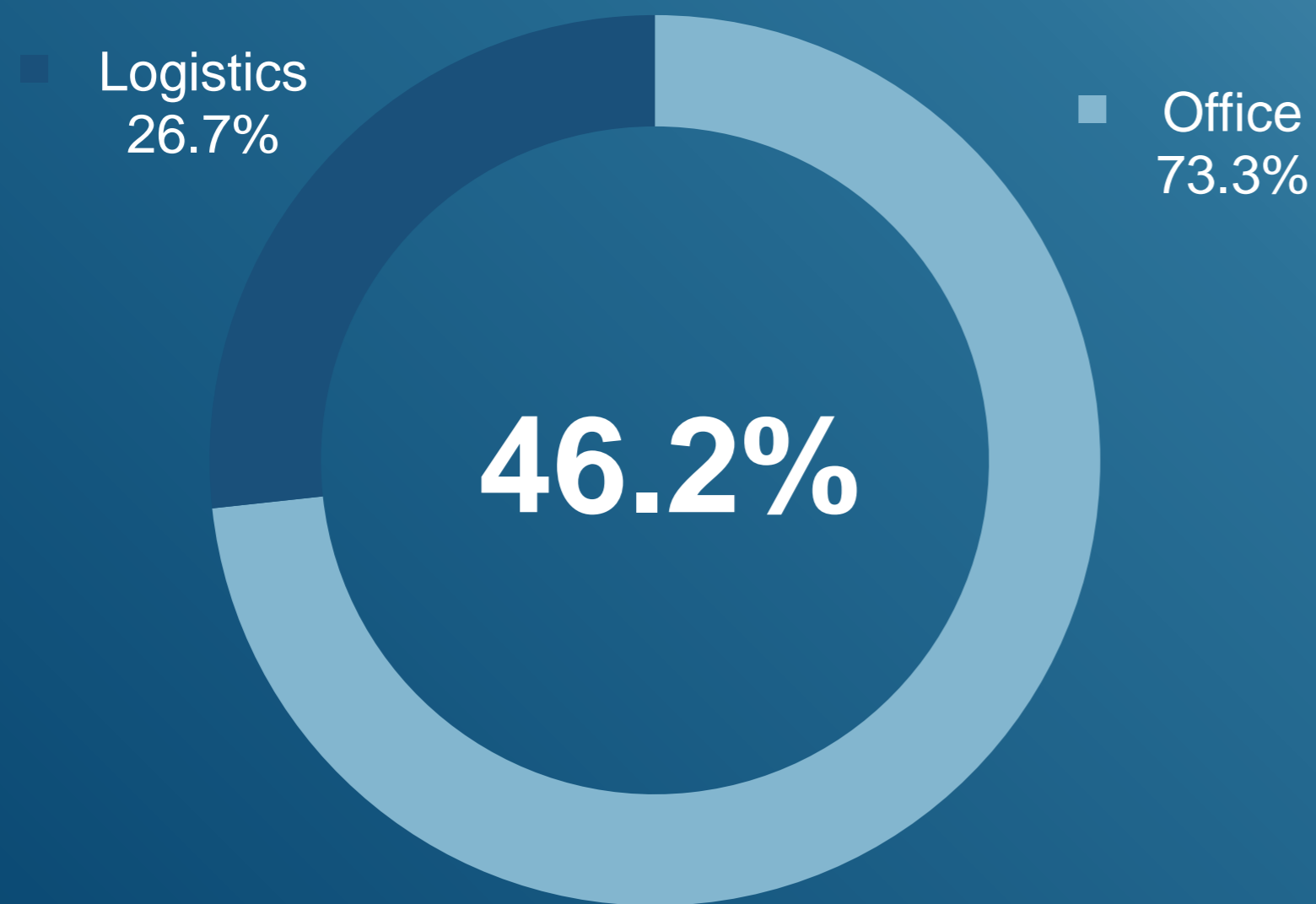


# INVESTMENTS IN THE US



# Investments in the US

Chart 12. As at 31.12.2017



## Office and retail

Properties	38
Return in 2017	4.3
Average remaining lease term	7.1 years

## Logistics

Properties	318
Return in 2017	11.6
Average remaining lease term	4.4 years

# Investments in the US

During 2017

## Office and retail

Total deals	3
Total assets	3
Total acquisition price	4,025 million kroner

## Logistics

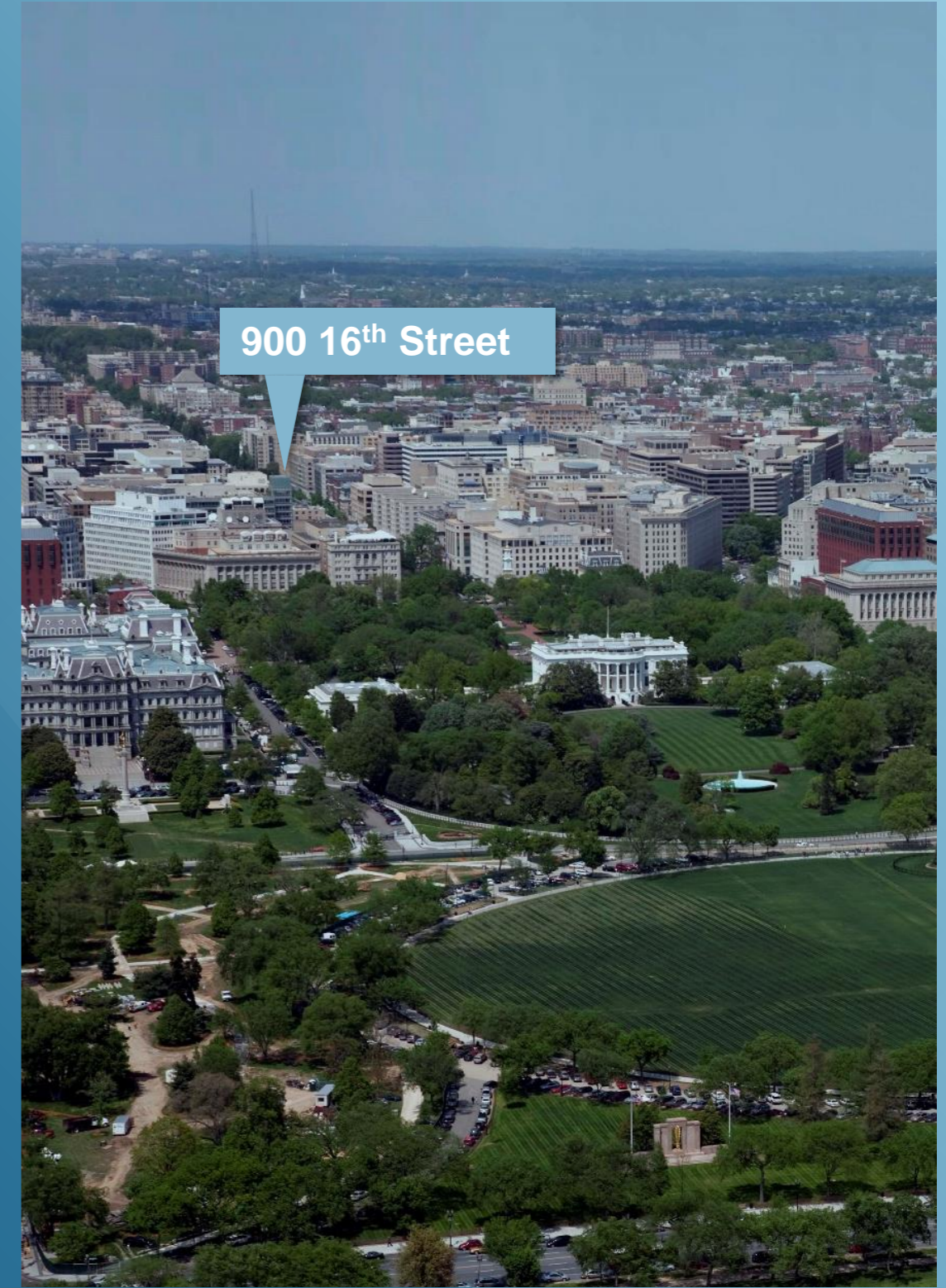
Total deals	1
Total assets	3
Total acquisition price	318.9 million kroner



# 900 16th Street

Washington, D.C.

Sector	Office and retail
Ownership	49%
Invested capital	74 million dollars
Area	121,000 sq ft



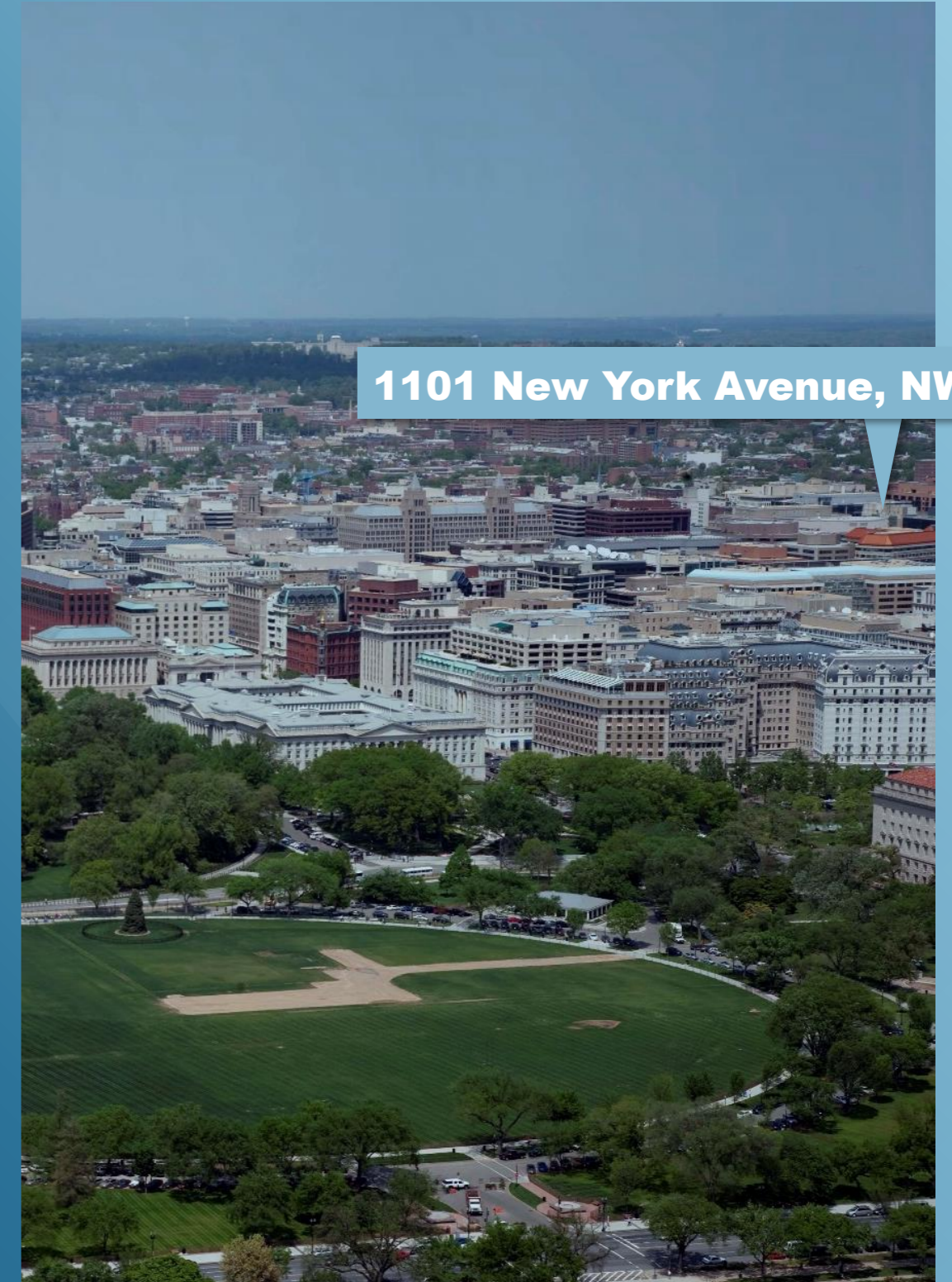
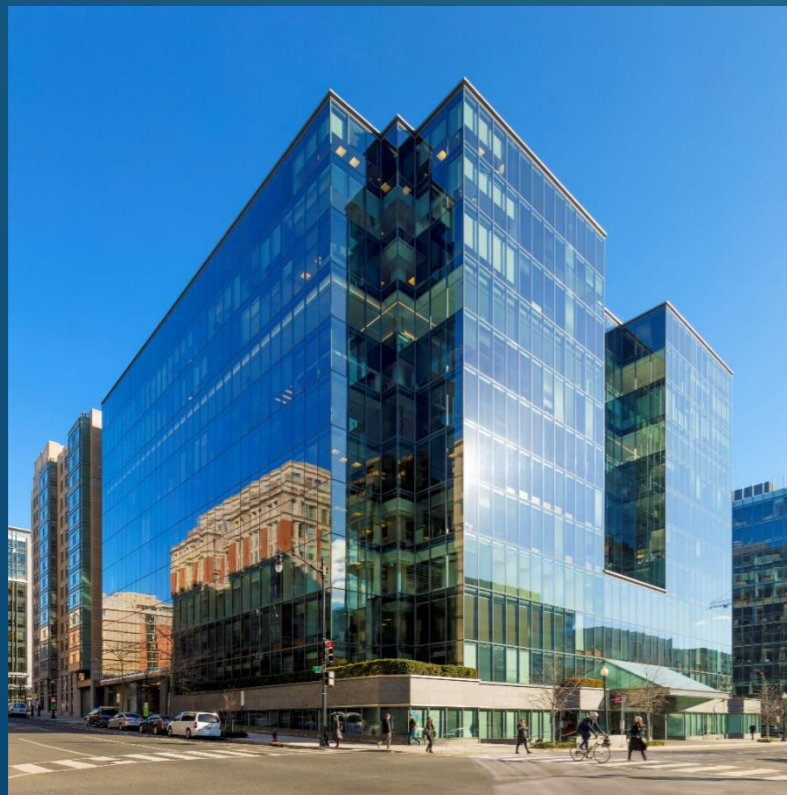
# 1101 New York Avenue NW

Washington, D.C.

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Sector	Office and retail
Ownership	49%
Invested capital	190.8 million dollars
Area	385,000 sq ft

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# 375 Hudson Street

## New York

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Sector	Office and retail
Ownership	48%
Invested capital	223 million dollars
Area	1.1 million sq ft

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# Logistics properties

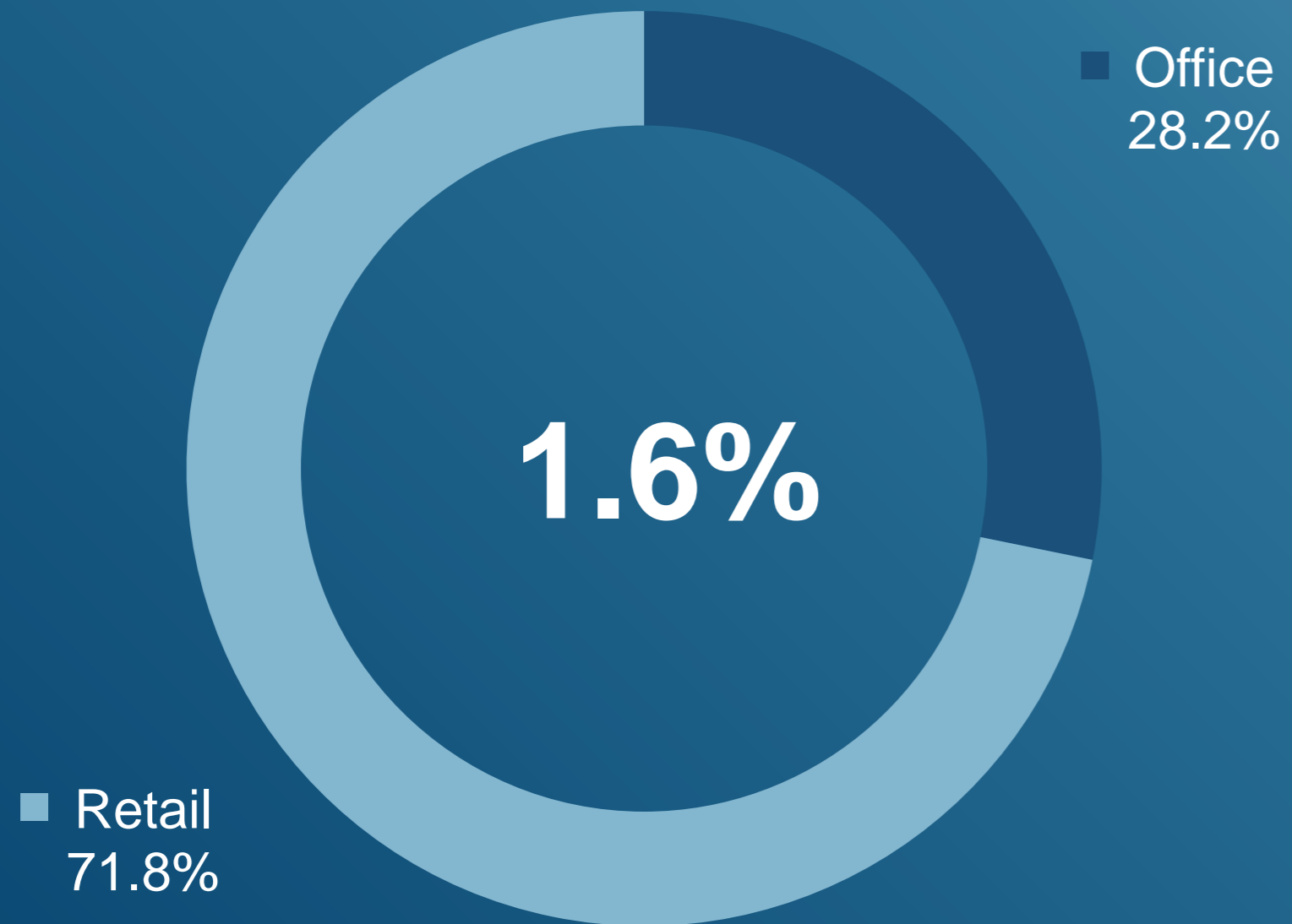
## Logistics disposals in the US in 2017

	Partner	State	Share	Price <i>(fund's share)</i>
3 properties	Prologis	California	45%	38.3 million dollars



# Investments in Asia

As at 31.12.2017



## Office and retail

Properties	5
Return in 2017	n.a.
Average remaining lease term	7.7 years



# Investments in Asia

During 2017

## Office and retail

Total deals	1
Total assets	5
Total acquisition price	6.8 billion kroner

## Logistics

Total deals	0
Total assets	0
Total acquisition price	0



# Five properties in Shibuya, Omotesando Tokyo

Sector	Office and retail
Ownership	70%
Invested capital	92.75 billion JPY
Area	3,720 tsubo

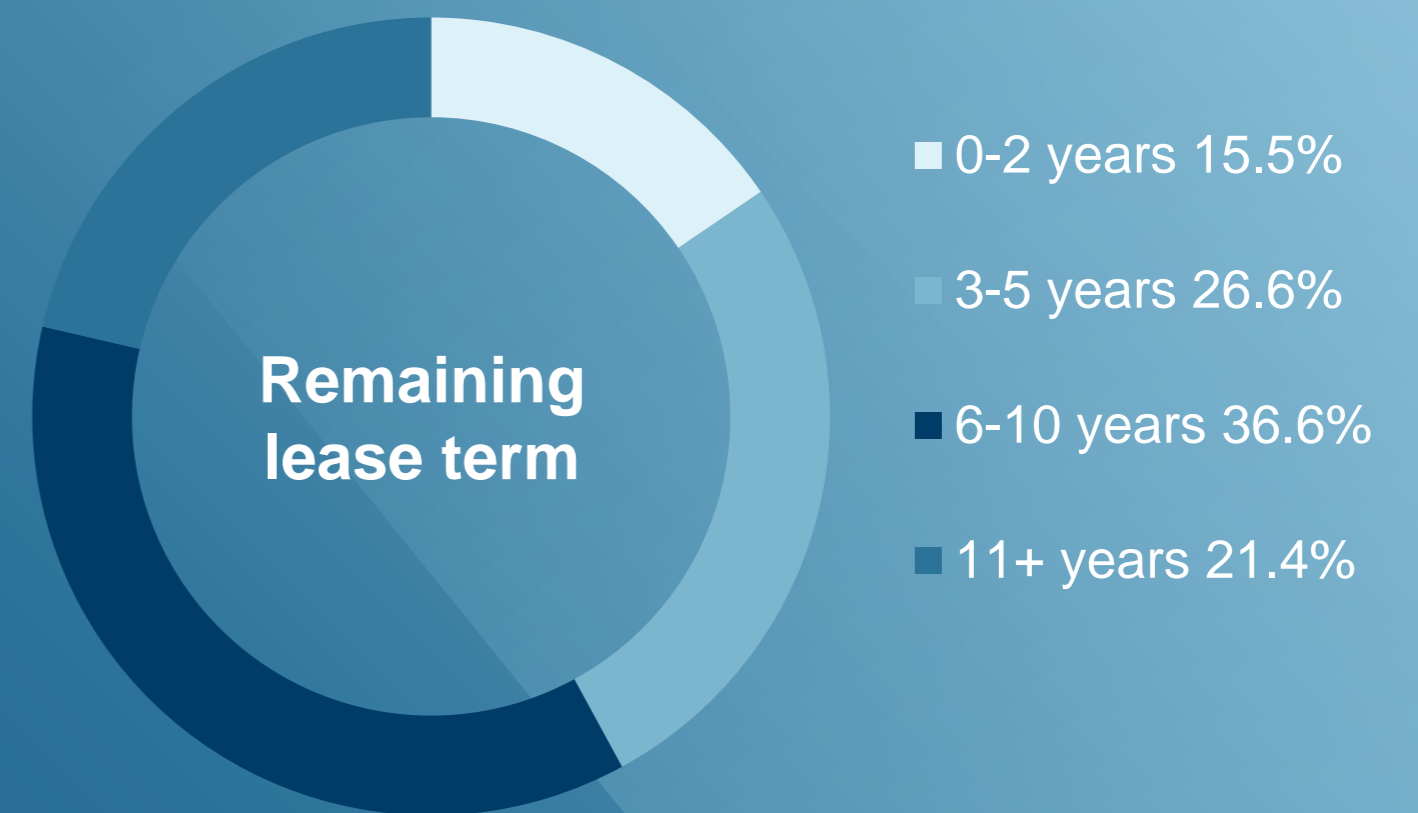
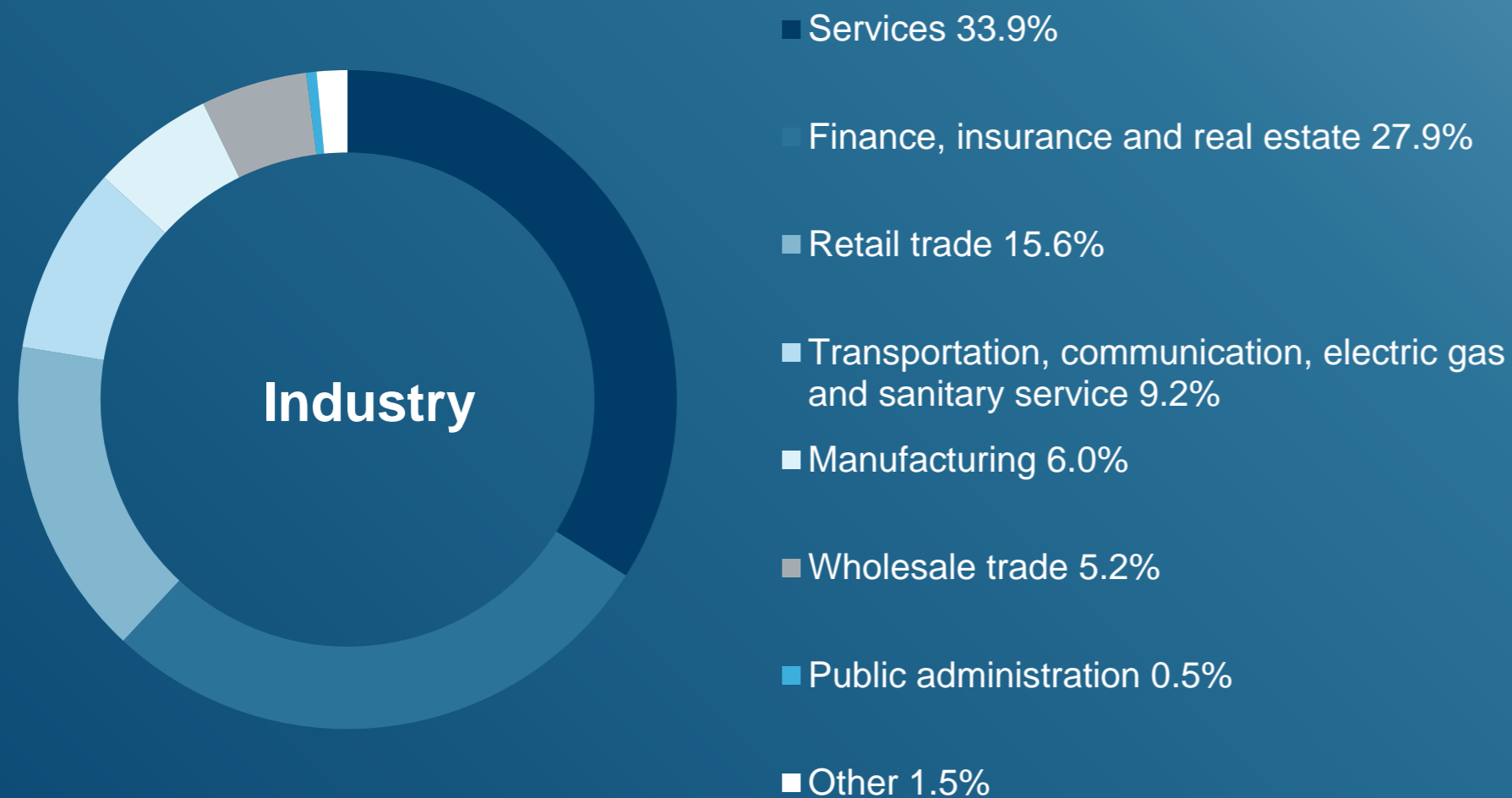




# RISK MANAGEMENT

# Risk management

Charts 16 and 17. Tenant industry exposure and lease expiry profile as at 31 December 2017



# Sustainability

Chart 23. Share of office and retail assets greater than 2,000 m2 that is certified. Percent m2.

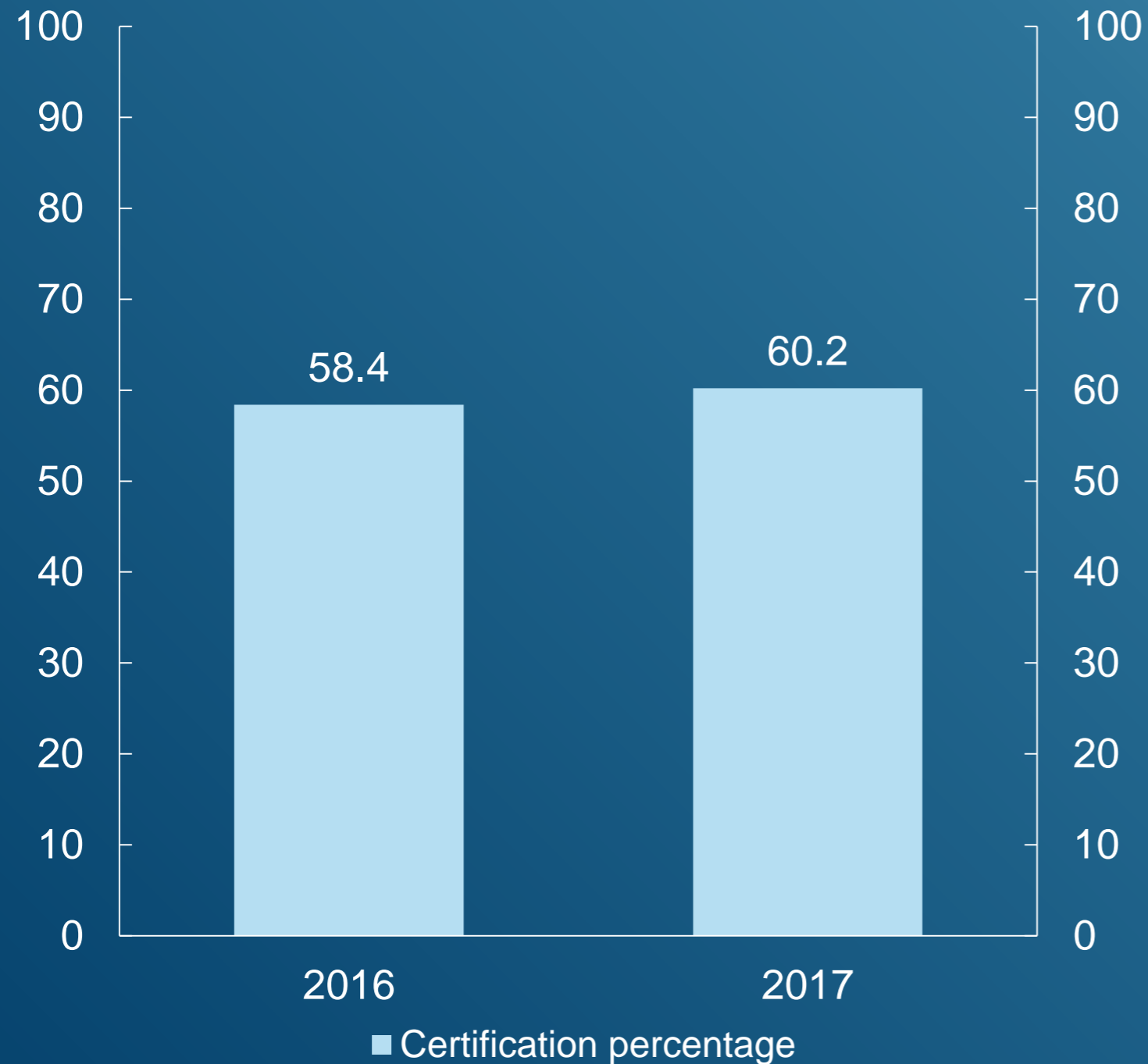
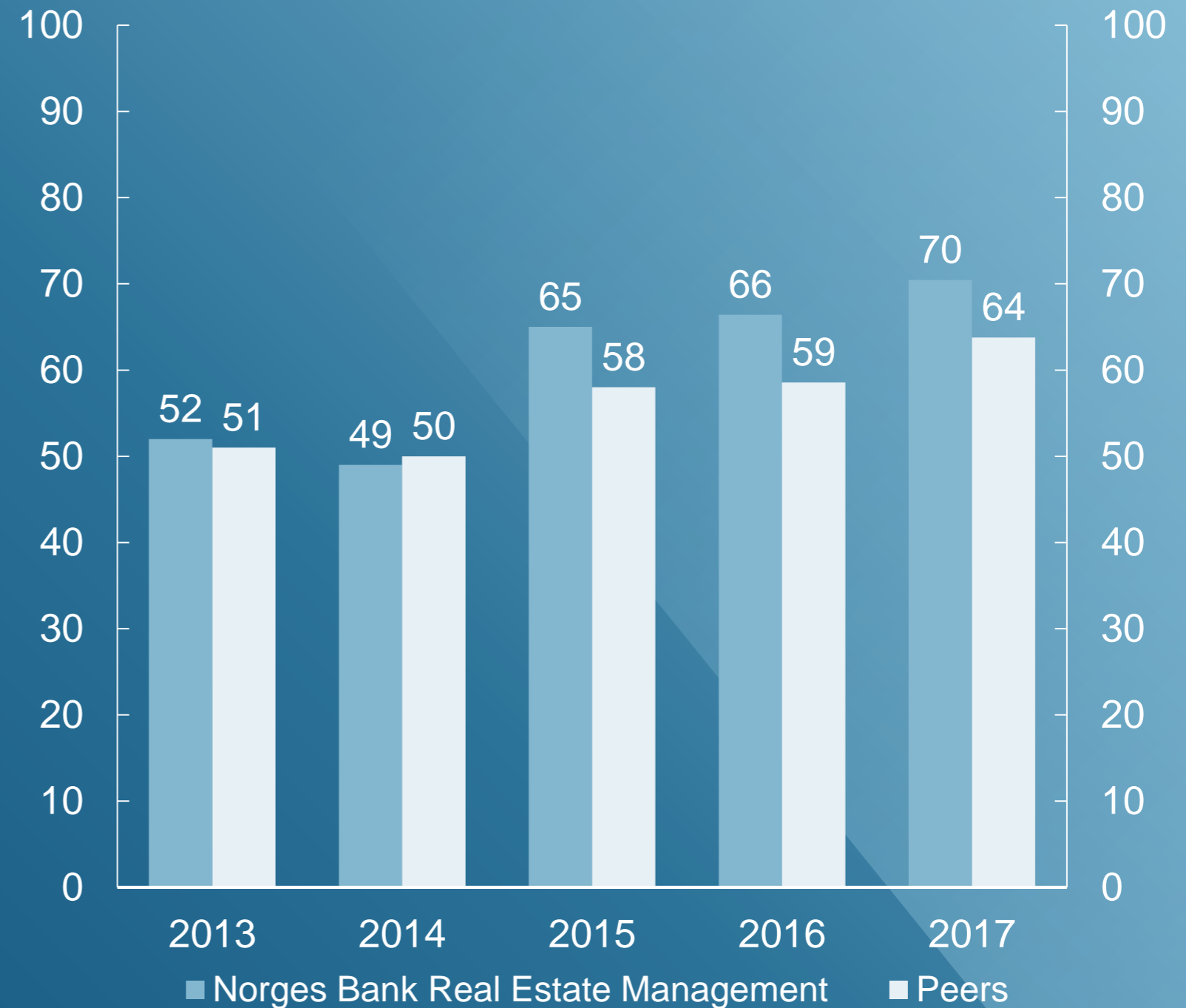


Chart 24. Global Real Estate Sustainability Benchmark (GRESB) score.



# Quarterly valuations

External valuers as at 31 December 2017

## US

### BOSTON

CBRE, Altus Group, Integra and NVC

### NEW YORK

CBRE and Cushman & Wakefield

### SAN FRANCISCO

CBRE, Altus Group, BBG, NPV Advisors and Qval

### WASHINGTON, D.C.

CBRE, Cushman & Wakefield, Altus Group, Joseph Blake and US Realty Consultants

### LOGISTICS

Cushman & Wakefield, CBRE and Colliers

## ASIA

### TOKYO

JLL

## EUROPE

### SHEFFIELD

CBRE

### LONDON

Cushman & Wakefield and Knight Frank

### PARIS

CBRE, Cushman & Wakefield and BNP Paribas Real Estate

### BERLIN

CBRE

### FRANKFURT

CBRE

### MUNICH

CBRE and BNP Paribas Real Estate

### ZÜRICH

CBRE

### LOGISTICS

JLL, Cushman & Wakefield and CBRE

# Holding list per region

## Europe

**Table 10** Investments in Europe by country as at 31 December 2017. Millions of kroner

	Percent of total Europe portfolio	Value	Ownership Percent
<b>UK</b>	<b>39.9</b>	<b>45,685</b>	
2 King Edward Street, London		7,192	100.0
3 Old Burlington Street, London		2,624	100.0
75 Davies Street, London		2,909	100.0
355-361 Oxford Street, London		1,667	100.0
73-89 Oxford Street, London		3,116	100.0
<b>Pollen Estate</b>		<b>4,839</b>	<b>57.8</b>
37 assets in Mayfair, London		4,839	
<b>The Crown Estate, partnership</b>		<b>17,350</b>	<b>25.0</b>
Regent Street portfolio, London		17,350	
<b>British Land, partnership</b>		<b>5,988</b>	<b>50.0</b>
The Meadowhall Shopping Centre, Sheffield		5,988	
<b>FRANCE</b>	<b>29.2</b>	<b>33,476</b>	
17-23 boulevard de la Madeleine and 20-26 rue Duphot, Paris		4,713	100.0
9 place Vendôme and 368-374 rue Saint-Honoré, Paris		10,314	100.0
6-8 boulevard Haussmann, Paris		4,736	100.0
<b>AXA Real Estate France, partnership</b>		<b>10,323</b>	<b>50.0</b>
1-2-3 rue des Italiens, Paris		1,674	
12-14 Rond-Point des Champs Élysées, Paris		2,309	
16 avenue Matignon, Paris		729	
24-26 rue Le Peletier, Paris		513	
27-27ter avenue du Général Leclerc, Boulogne		375	
31-33 rue de Verdun and 46-48 rue Camot, Suresnes		612	
45-63 route de Vaugirard and 2-14 rue de la Verrerie, Meudon		1,192	
99 avenue de France, Paris		565	
77 esplanade du Général de Gaulle, Paris La Défense		1,347	
28-32 avenue Victor Hugo, Paris		1,008	
<b>Generali Real Estate, partnership</b>		<b>3,390</b>	<b>50.0</b>
100 avenue des Champs Élysées, Paris		893	
15-17 rue Scribe, Paris		752	
183-185 avenue Daumesnil, Paris		389	
3-5 boulevard Malesherbes, Paris		708	
9 avenue de Messine, Paris		375	
11-15 rue Pasquier, Paris		274	
<b>SWITZERLAND</b>	<b>7.4</b>	<b>8,507</b>	
Uetlibergstrasse 231, Zürich		8,507	100.0
<b>GERMANY</b>	<b>6.3</b>	<b>7,220</b>	
Luisenstrasse 12, 14, Karlstrasse 23, Munich		1,258	94.9
<b>AXA Real Estate Germany, partnership</b>		<b>5,962</b>	<b>50.0</b>
Kurfurstendamm 19-24, Joachimstaler Strasse 5, Kantstrasse 160, Berlin		2,705	
Hultschiner Strasse 8, Munich		1,139	
An der Wille 3-7, 2-10, Frankfurt		2,118	
<b>LOGISTICS</b>	<b>17.2</b>	<b>19,650</b>	
<b>Prologis Europe, partnership</b>		<b>19,650</b>	<b>50.0</b>
Across several European countries		19,650	
<b>TOTAL EUROPE</b>	<b>100.0</b>	<b>114,538</b>	

## The US

**Table 12** Investments in the US as at 31 December 2017. Millions of kroner

	Percent of total US portfolio	Value	Ownership Percent
<b>NEW YORK</b>	<b>37.4</b>	<b>37,599</b>	
<b>TIAA, partnership</b>		<b>3,869</b>	<b>49.9</b>
2 Herald Square		1,534	
470 Park Avenue South		1,074	
475 Fifth Avenue		1,262	
<b>Trinity Church Wall Street, partnership</b>		<b>18,285</b>	<b>48.0</b>
75 Varick Street		3,542	
345 Hudson Street		3,466	
200 Hudson Street		1,252	
225 Varick Street		1,197	
435 Hudson Street		1,061	
100 Avenue of the Americas		1,166	
350 Hudson Street		1,072	
205 Hudson Street		1,199	
10 Hudson Square		1,094	
155 Avenue of the Americas		649	
12-16 Vestry Street		153	
375 Hudson Street		2,432	
<b>Boston Properties, partnership</b>		<b>11,887</b>	<b>45.0</b>
601 Lexington Avenue		6,304	
7 Times Square		5,582	
<b>Prudential, partnership</b>		<b>3,559</b>	<b>45.0</b>
11 Times Square		3,559	
<b>WASHINGTON, D.C.</b>	<b>10.7</b>	<b>10,782</b>	
<b>TIAA, partnership</b>		<b>6,014</b>	<b>49.9</b>
800 17th Street, NW		1,641	
1101 Pennsylvania Avenue, NW		987	
1300 Eye Street, NW		1,471	
400 - 444 North Capital Street, NW		718	
25 Massachusetts Avenue, NW		1,197	
<b>MetLife, partnership</b>		<b>3,249</b>	<b>47.5</b>
555 12th Street, NW		2,133	
175 N Street, NE		782	
150 M Street, NE		334	
<b>Oxford Properties Group, partnership</b>		<b>1,519</b>	<b>49.0</b>
1101 New York Ave, NW		907	
900 16th Street, NW		612	
<b>MetLife, partnership</b>		<b>2,369</b>	<b>47.5</b>
425 Market Street		2,369	
<b>Kilroy Realty, partnership</b>		<b>4,285</b>	<b>44.0</b>
100 First Street		1,635	
303 Second Street		2,650	
<b>LOGISTICS</b>	<b>26.6</b>	<b>26,761</b>	
<b>Prologis US, partnership</b>		<b>26,761</b>	<b>45.0</b>
Across several US states		26,761	
<b>TOTAL US</b>	<b>100.0</b>	<b>100,584</b>	

## Asia

**Table 14** Investments in Asia by country as at 31 December 2017. Millions of kroner

	Value	Ownership in percent
<b>JAPAN</b>	<b>3,457</b>	
<b>Tokyu Land Corporation, partnership</b>		<b>70.0</b>
1-8-10 Jingumae, Shibuya, Tokyo	912	
6-31-17 Jingumae, Shibuya, Tokyo	726	
6-12-18 Jingumae, Shibuya, Tokyo	981	
5-3-2 Minami-Aoyama, Minato, Tokyo	727	
5-3-27 Minami-Aoyama, Minato, Tokyo	111	
<b>TOTAL ASIA</b>	<b>3,457</b>	



# COSTS





# Costs

## MANAGEMENT COSTS

- Investment management costs
- Holding structure costs
- Asset management costs

## OTHER COSTS

- Property costs
- Transaction costs
- Interest costs
- Tax costs

# Management costs

Table 18. Management costs. Millions of kroner

	2017	2016	2015	2014	2013
Investment management – NBREM	455	440	333	199	141
Investment management – management companies	86	66	52	43	35
Holding structure costs	137	144	174	120	61
External asset management – fixed fees	482	454	308	165	94
<b>Management costs excluding variable fees</b>	<b>1,161</b>	<b>1,104</b>	<b>867</b>	<b>527</b>	<b>331</b>
External asset management – variable fees	248	39	343	16	-
<b>Total management costs<sup>1</sup></b>	<b>1,408</b>	<b>1,143</b>	<b>1,210</b>	<b>543</b>	<b>331</b>

<sup>1</sup>All costs are included in net result and return figures for real estate, except the cost of investment management in Norges Bank Real Estate Management.

# Management costs

Table 17. Based on average assets under management. Percent

	2017	2016	2015	2014	2013
Investment management – NBREM	0.23	0.25	0.24	0.29	0.38
Investment management – management companies	0.04	0.04	0.05	0.06	0.10
Holding structure costs	0.07	0.08	0.13	0.18	0.16
External asset management – fixed fees	0.24	0.26	0.23	0.24	0.25
<b>Management costs excluding variable fees</b>	<b>0.58</b>	<b>0.63</b>	<b>0.65</b>	<b>0.77</b>	<b>0.89</b>
External asset management – variable fees	0.12	0.02	0.25	0.03	-
<b>Total management costs<sup>1</sup></b>	<b>0.70</b>	<b>0.65</b>	<b>0.90</b>	<b>0.80</b>	<b>0.89</b>

<sup>1</sup>All costs are included in net result and return figures for real estate except the cost of investment management in Norges Bank Real Estate Management.

# Companies in the holding structure

As at 31 December 2017

## US

Directly owned: 36  
Indirectly owned: 217  
Total: 253

## NORWAY

Directly owned: 1  
Indirectly owned: 1  
Total: 2

## UK

Directly owned: 3  
Indirectly owned: 57  
Total: 60

## LUXEMBOURG

Directly owned: 1  
Indirectly owned: 102  
Total: 103

## OTHER EUROPEAN

Directly owned: 0  
Indirectly owned: 174  
Total: 174

## SINGAPORE AND JAPAN

Directly owned: 1  
Indirectly owned: 2  
Total: 3



219

BILLION KRONER  
IN UNLISTED REAL  
ESTATE



15

INVESTMENT PARTNERS



8.6

BILLION KRONER IN  
NET RENTAL INCOME



775

PROPERTIES



14.8

BILLION KRONER IN  
NEW INVESTMENTS



94.0

OCCUPANCY RATE



# REAL ESTATE INVESTMENTS 2017

GOVERNMENT PENSION FUND GLOBAL