



# **REAL ESTATE INVESTMENTS**

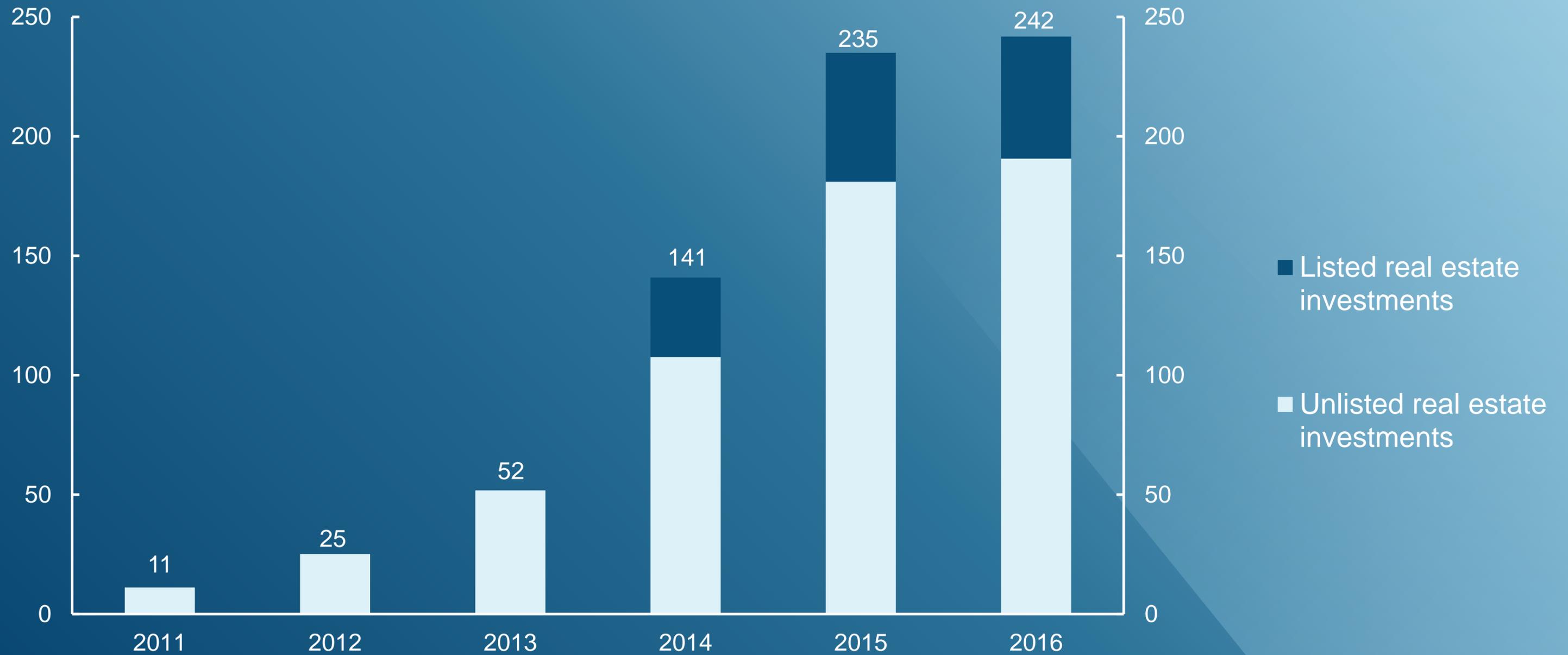
## **GOVERNMENT PENSION FUND GLOBAL**

**PRESS SEMINAR  
OSLO, 14 MARCH 2017**



# Real estate investments

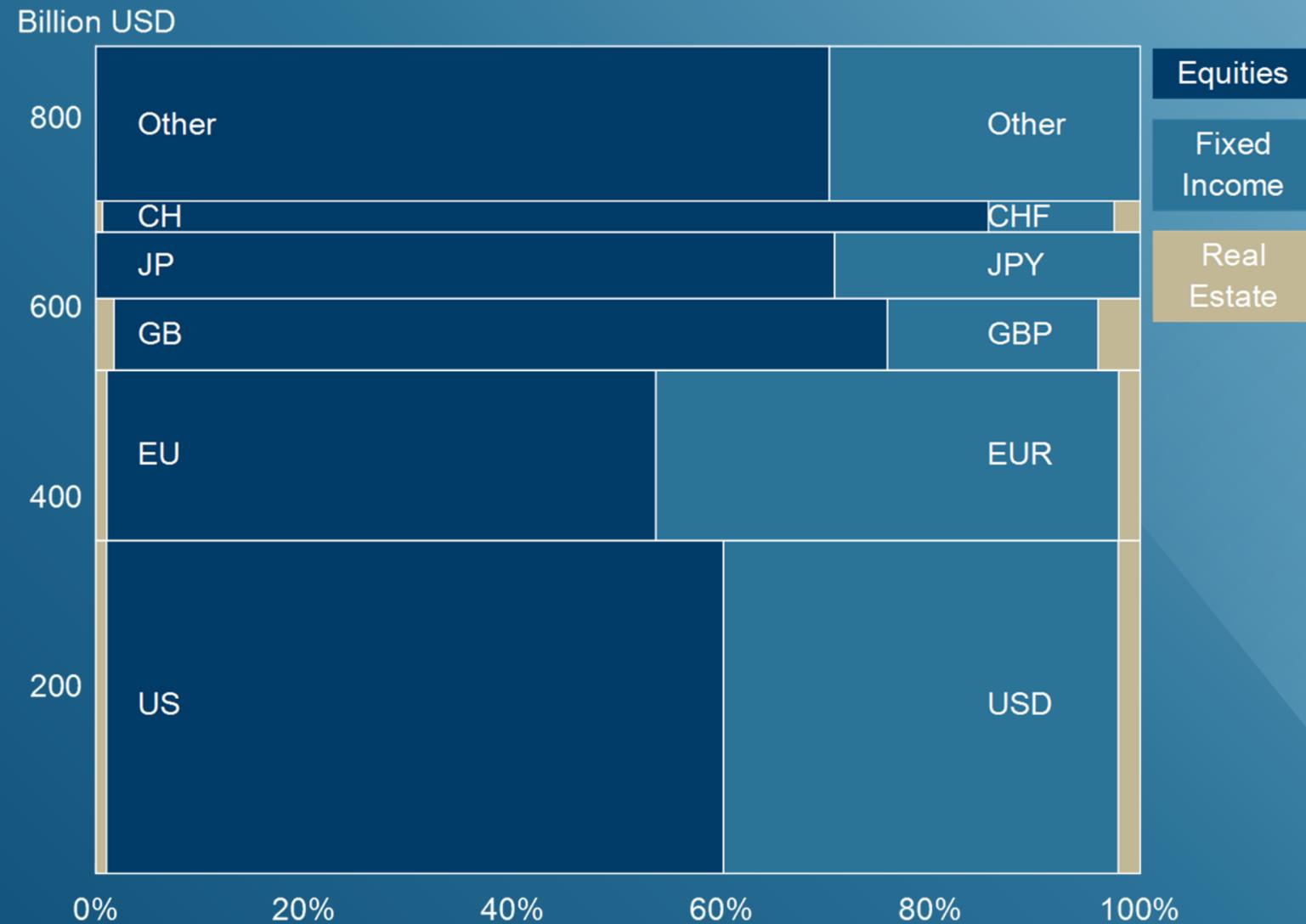
Market value at year end in billion kroner



Source: Norges Bank Investment Management

# New framework for real estate investments

## Financing real estate investments



# Strategy 2017-2019

## Real Estate investments

- High-quality assets
- Global cities
- Local expertise
- Sustainable real estate





**NORGES BANK**  
REAL ESTATE MANAGEMENT

# REAL ESTATE INVESTMENTS

GOVERNMENT PENSION FUND GLOBAL

/2016

No. 02

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**191**

BILLION KRONER  
IN UNLISTED REAL  
ESTATE



**13**

INVESTMENT PARTNERS



**7.6**

BILLION KRONER IN  
NET RENTAL INCOME



**807**

PROPERTIES



**19.1**

BILLION KRONER IN  
NEW INVESTMENTS

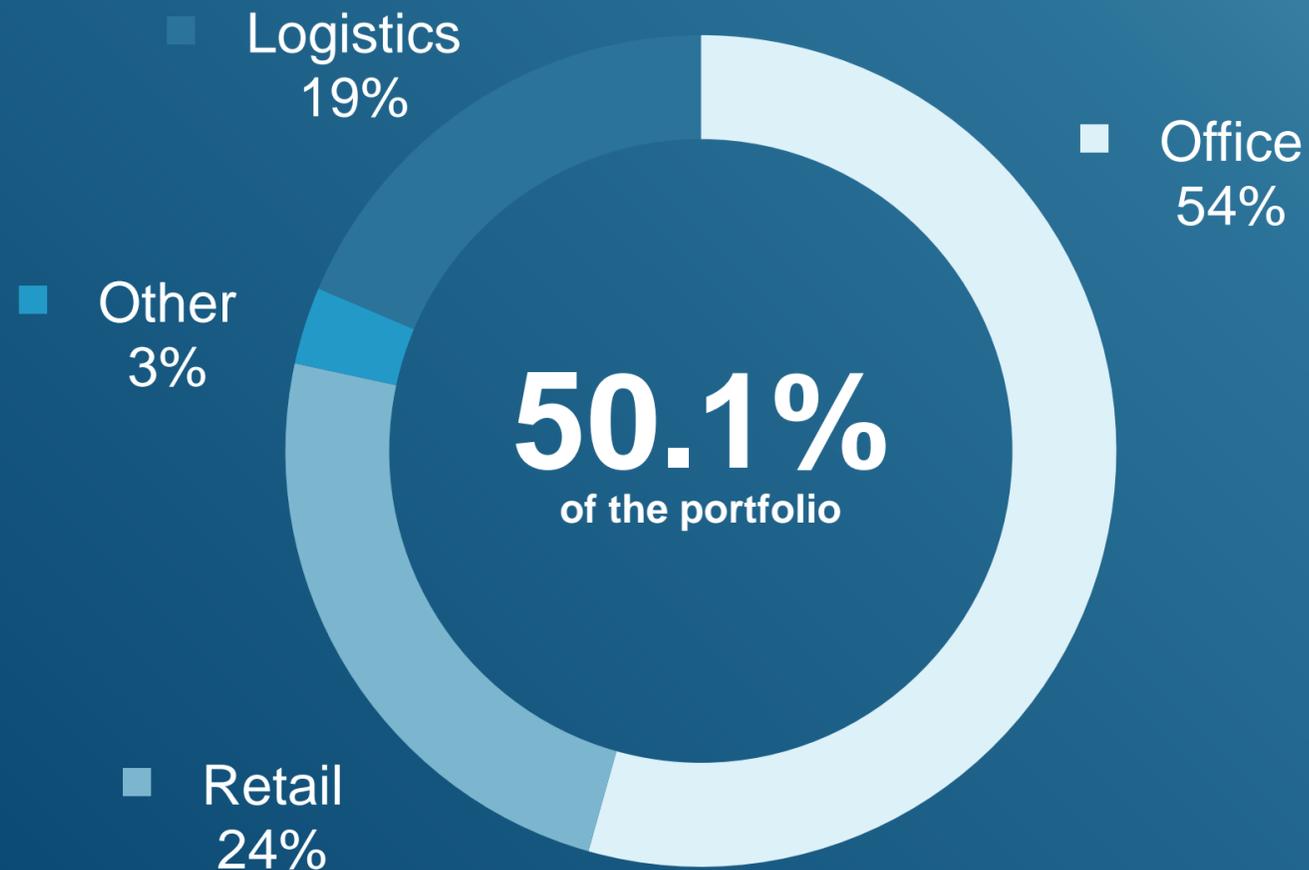


**10**

STRATEGIC CITIES

# European investments

As at 31.12.2016



## Office and retail

Properties	174
Return in 2016	-5.1%
Average remaining lease term	8.0 years

## Logistics

Properties	241
Return in 2016	-0.7%
Average remaining lease term	5.4 years

# 355-361 Oxford Street

London

Sector	Office and retail
Ownership	100%
Invested capital	124.0 million pounds
Area	5,500 m <sup>2</sup>



# 73-89 Oxford Street

London

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Sector	Office and retail
Ownership	100%
Invested capital	276.5 million pounds
Area	8,090 m <sup>2</sup>

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# 9 Place Vendôme and 368-374 rue Saint-Honoré

## Paris

Sector	Office and retail
Ownership	100%
Invested capital	1.0 billion euro
Area	26,800 m <sup>2</sup>



# Logistics properties

## New logistics purchases in Europe in 2016

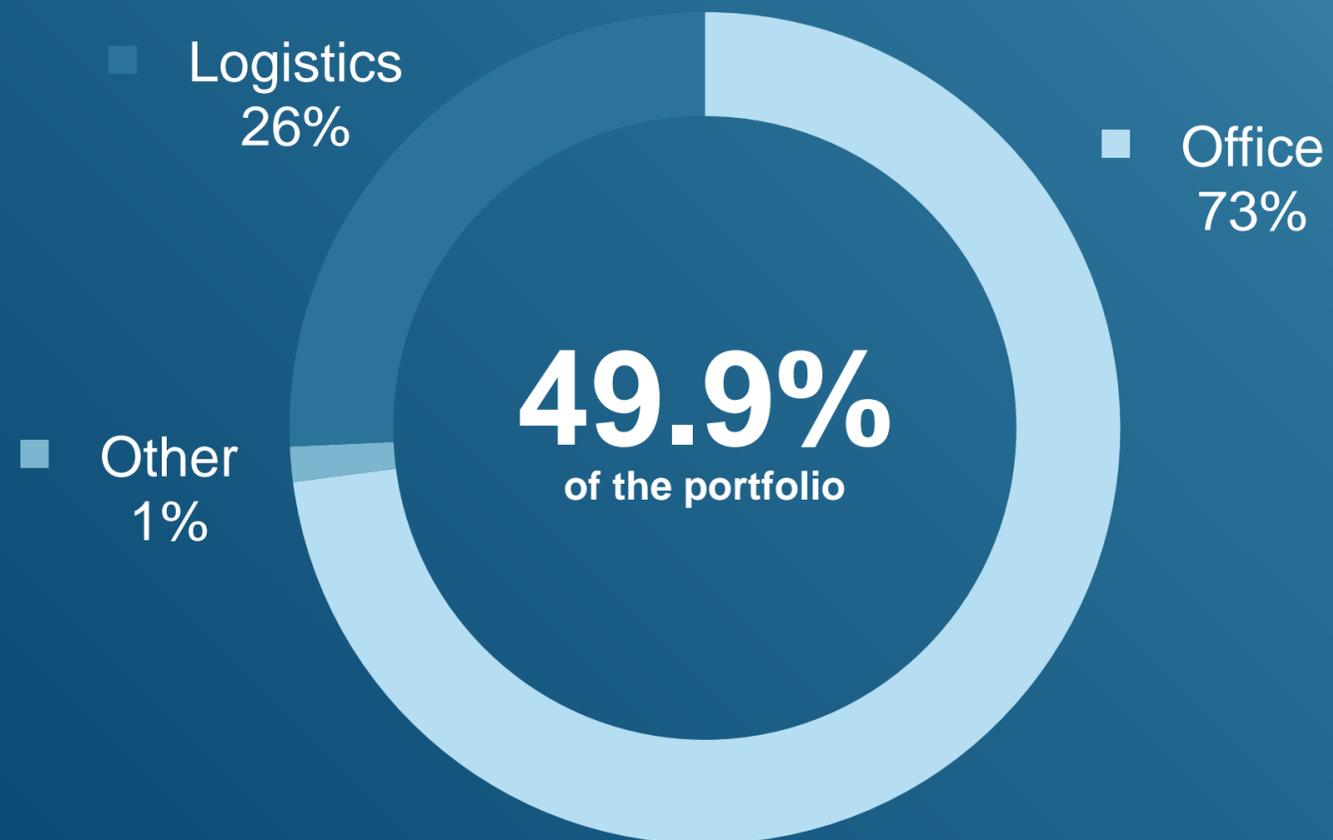
	Partner	Country	Share	Price <i>(fund's share)</i>
8 properties	Prologis	Czech Republic, Poland and Hungary	50%	55.3 million euro
1 property	Prologis	Hungary	50%	6.1 million euro
1 property	Prologis	UK	50%	4.2 million pounds

## New logistics disposals in Europe in 2016

	Partner	Country	Share	Price <i>(fund's share)</i>
2 properties	Prologis	Spain	50%	25.1 million euro
3 properties	Prologis	France	50%	25.1 million euro
2 properties	Prologis	Poland	50%	9.6 million euro
3 properties	Prologis	UK	50%	18.8 million pounds

# US investments

As at 31.12.2016



## Office and retail

Properties	34
Return in 2016	6.1%
Average remaining lease term	7.5 years

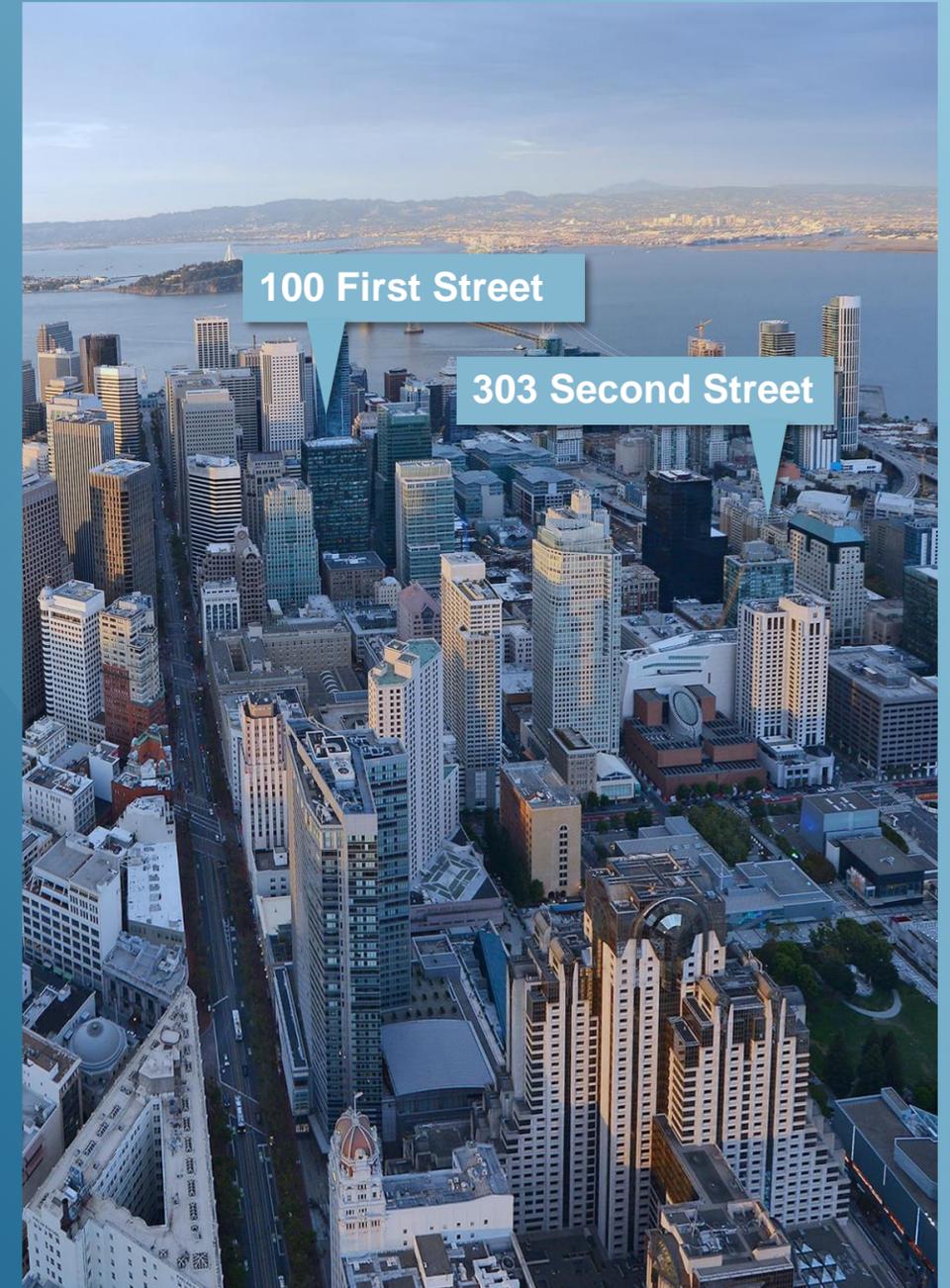
## Logistics

Properties	358
Return in 2016	11.8%
Average remaining lease term	4.6 years

# 100 First Street and 303 Second Street

## San Francisco

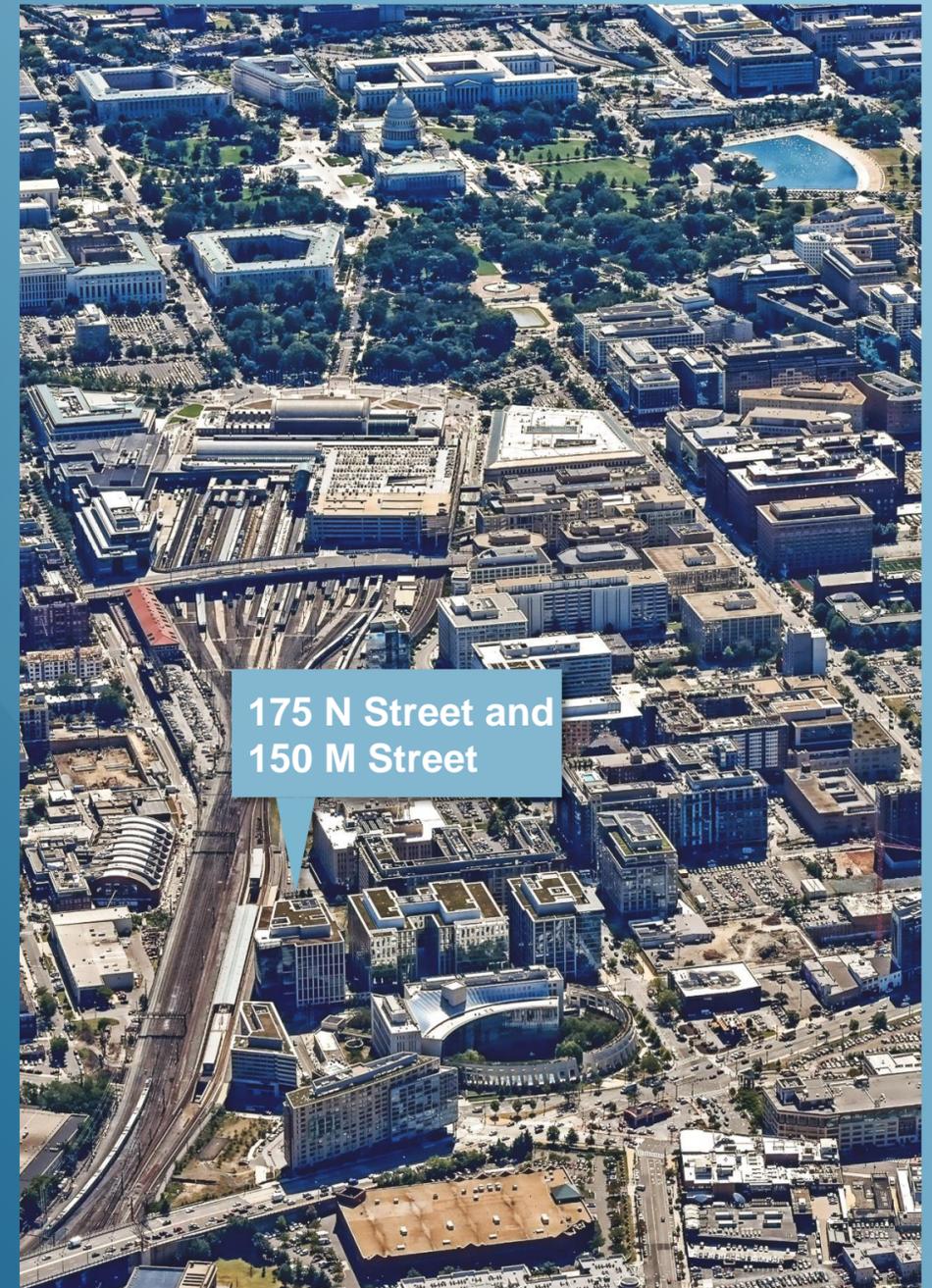
Sector	Office
Ownership	44.0%
Invested capital	452.9 million dollars
Area	112,700 m <sup>2</sup>



# 175 N Street and 150 M Street

Washington, D.C.

Sector	Office
Ownership	47.5%
Invested capital	71.3 million dollars
Area	78,225 m <sup>2</sup>



# Additional share in the Hudson Square portfolio

## New York

Sector	Office
Ownership	4.0% (48.0% in total)
Invested capital	142.0 million dollars
Area	455,000 m <sup>2</sup>



# Logistics properties

## New logistics disposals in the US in 2016

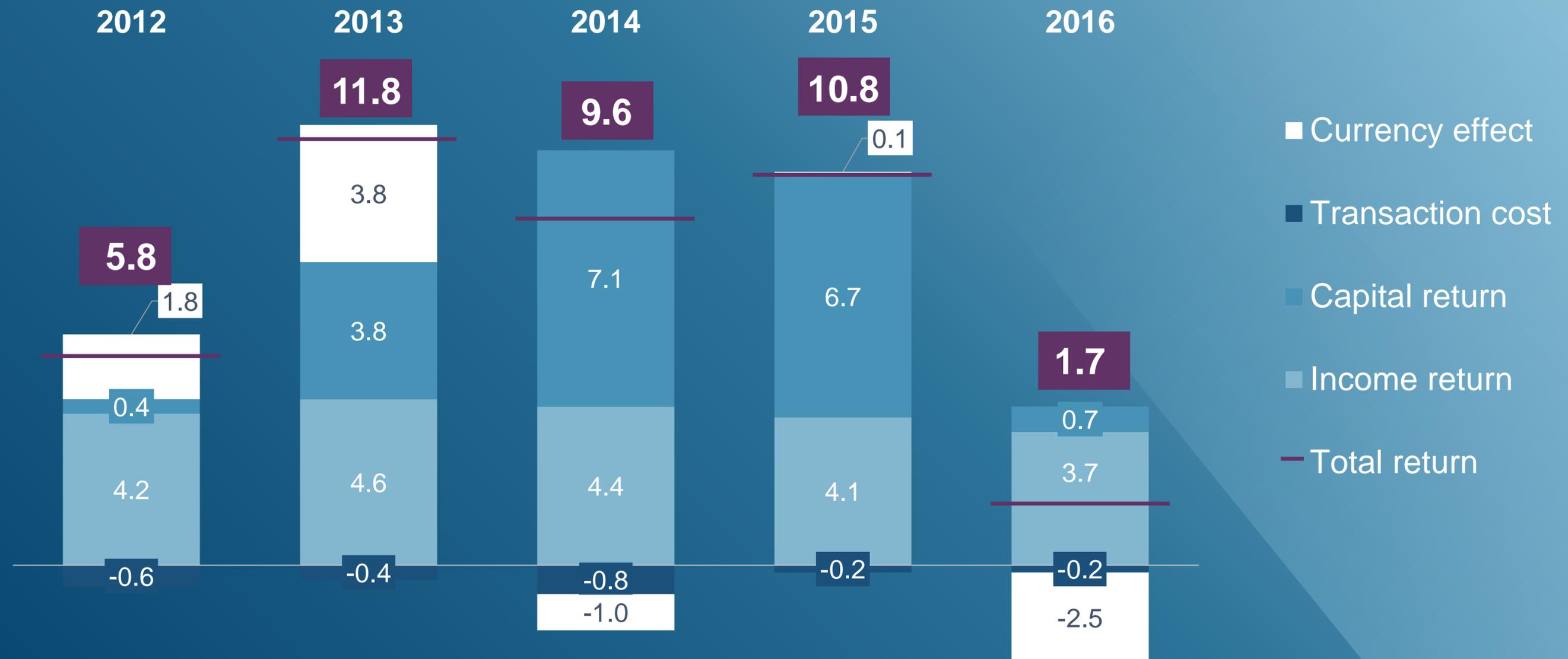
	Partner	State	Share	Price <i>(fund's share)</i>
2 properties	Prologis	Massachusetts and New Jersey	45%	91.3 million dollars
3 properties	Prologis	California	45%	38.3 million dollars
31 properties	Prologis	Several states	45%	86.1 million dollars

# RESULTS



# Annual return on real estate investments

Return measured in the fund's currency basket. Percent



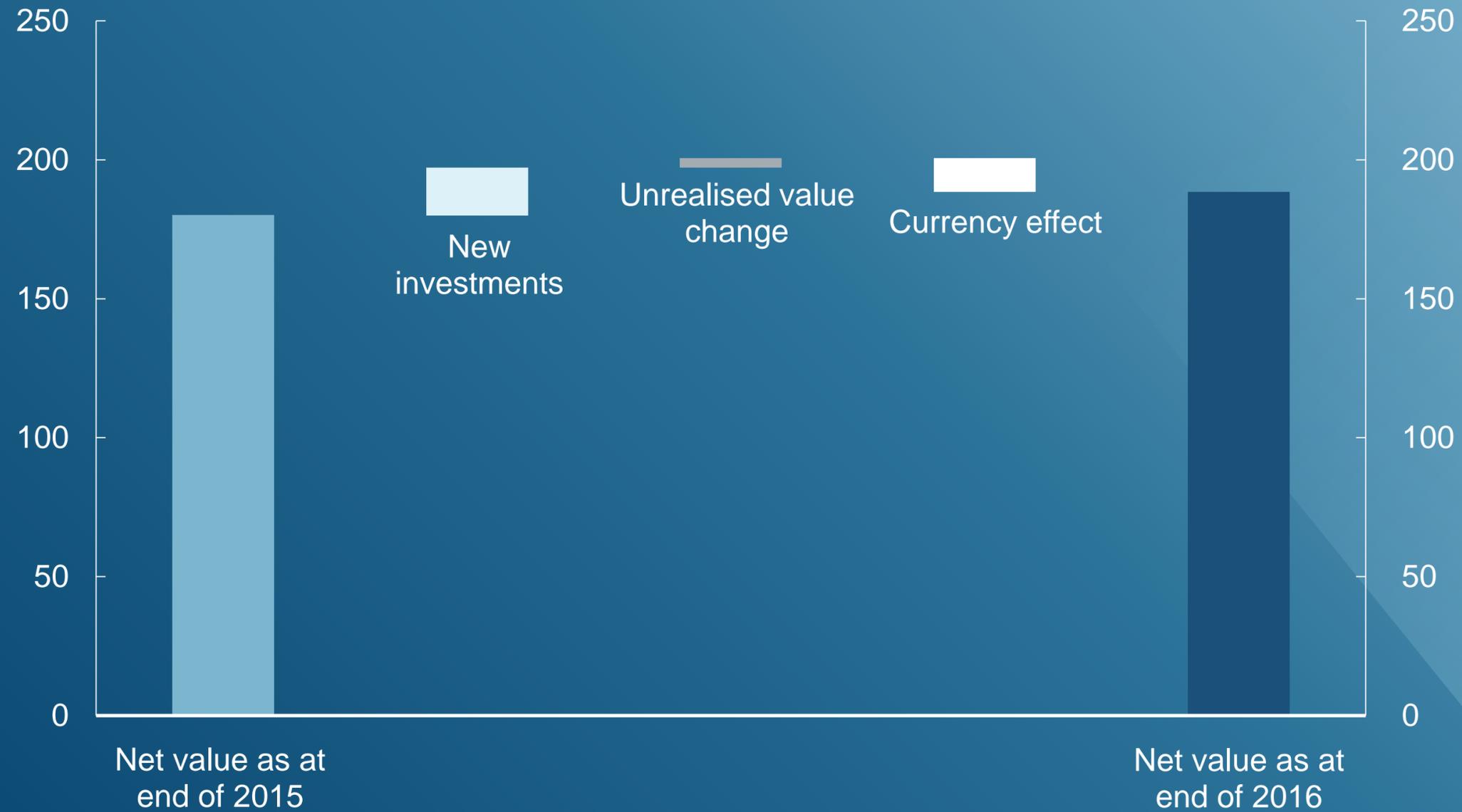
# Return on real estate investments

Annualised return measured in the fund's currency basket. Percent

	2016	2015	2014	2013	2012
1-year return	1.7	10.8	9.6	11.8	5.8
3-year return	7.3	10.7	9.0		
5-year return	7.9				
Since 31 March 2011	6.0	6.9	5.9	4.6	0.7
Since 31 March 2011, money-weighted	7.3	10.2	9.5	8.8	1.7

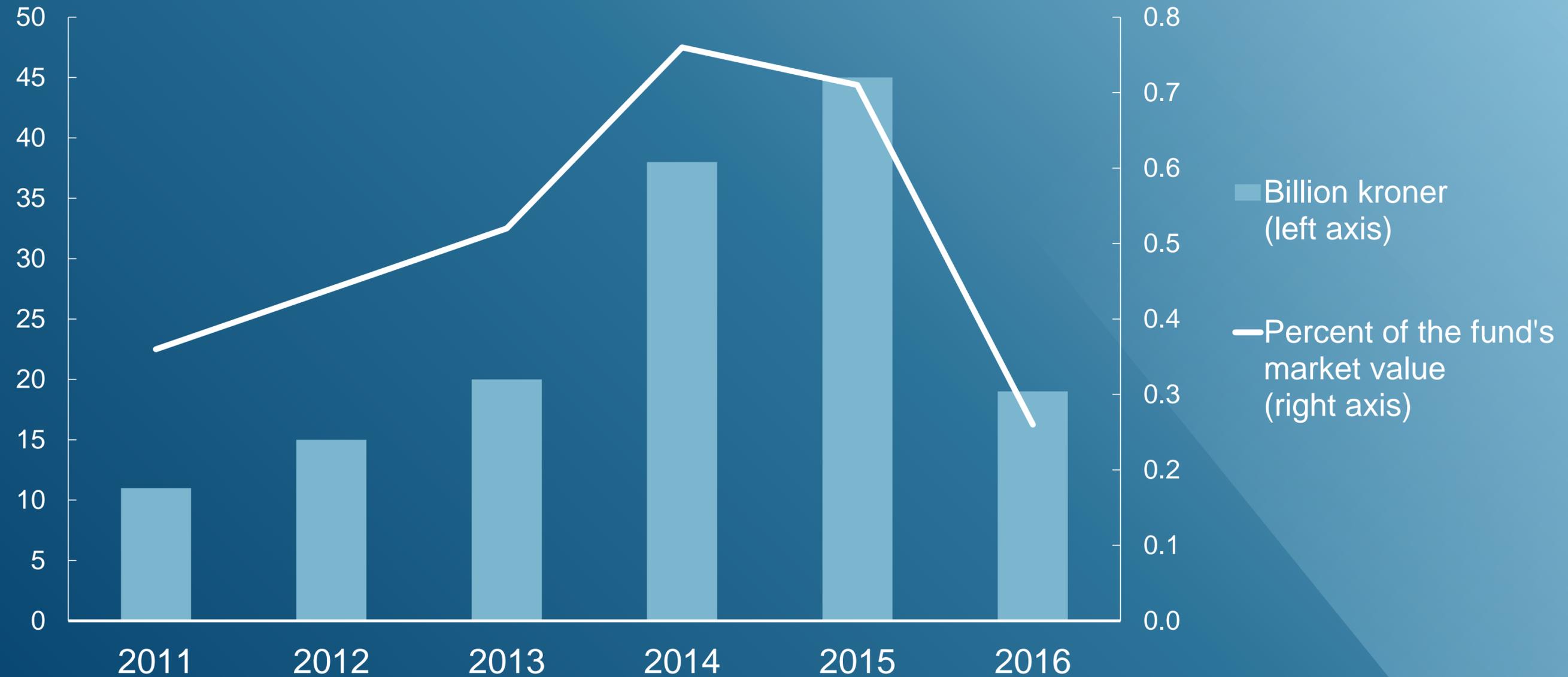
# Change in market value

Billion kroner



# Annual investments

Billions of kroner and percent of the fund's market value



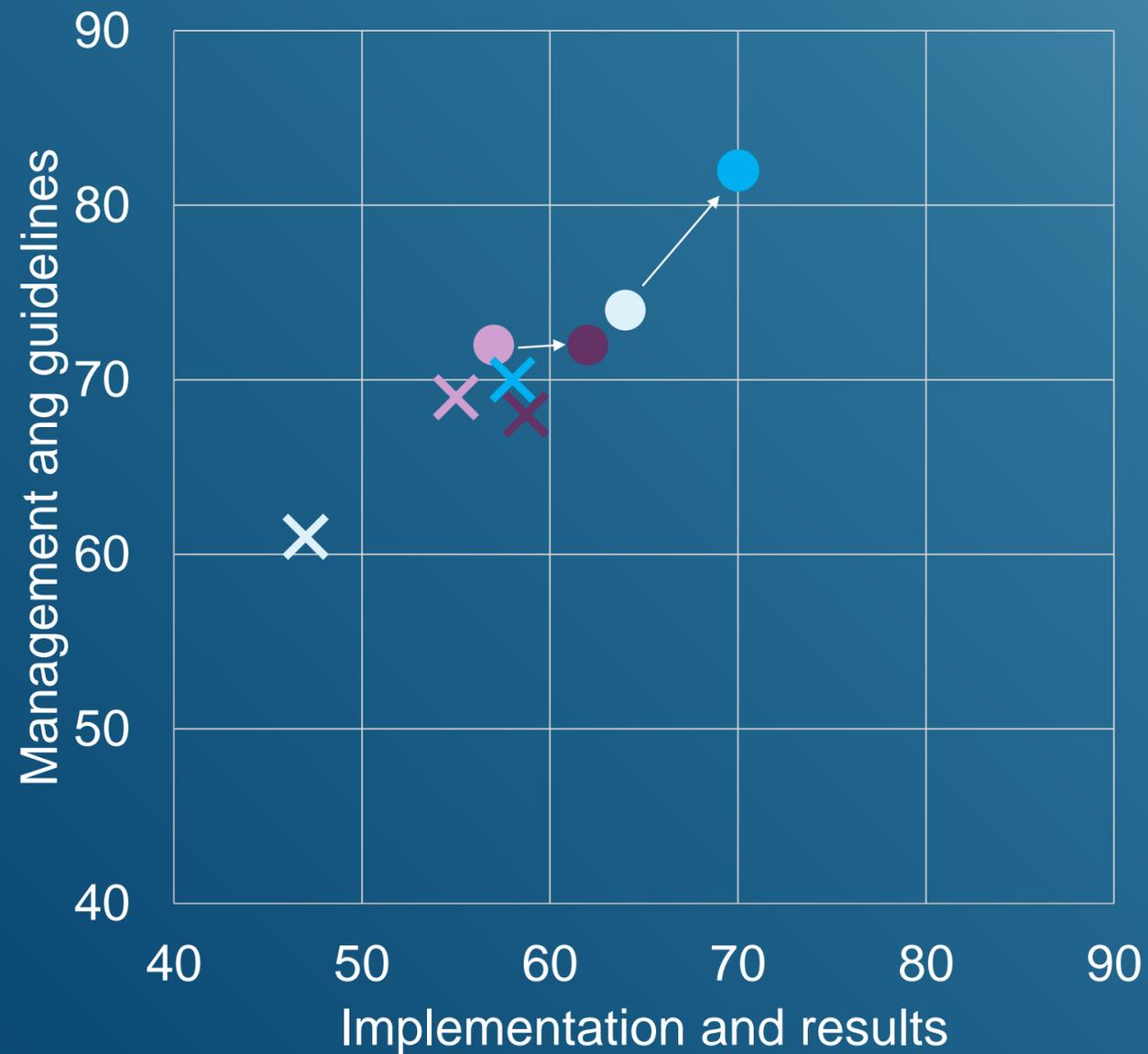
# Investment partners

Percentage share of the investments as at 31.12.2016

Investment partner	Region	Sector	Share
Prologis	US	Logistics	12.8
Boston Properties	US	Office	10.7
The Crown Estate	UK	Retail, office	9.5
Prologis	Europe	Logistics	9.3
Trinity Church Wall Street	US	Office	8.2
TIAA	US	Office	8.1
MetLife	US	Office	5.3
AXA Real Estate	France	Office, retail	4.6
British Land	UK	Retail	2.8
AXA Real Estate	Germany	Office, retail	2.5
Kilroy Realty	US	Office	2.1
PGIM Real Estate	US	Office	1.9
Generali Real Estate	France	Office, retail	1.6

# Sustainable real estate management

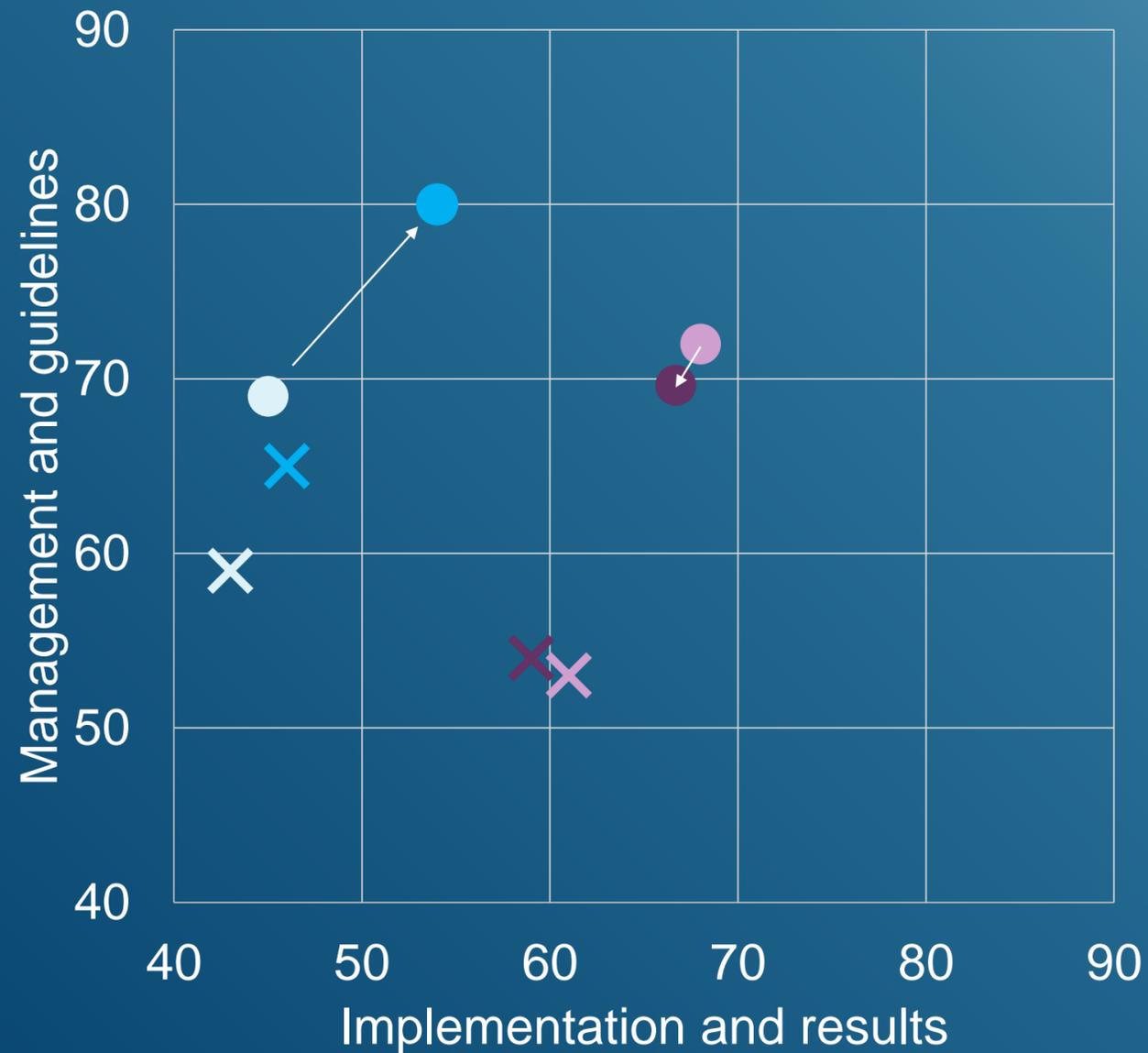
GRESB survey in 2015 and 2016. The fund's portfolio in Europe



- (NBREM) office and retail - 2016
- ✕ (Reference portfolio) office and retail - 2016
- (NBREM) office and retail - 2015
- ✕ (Reference portfolio) office and retail - 2015
- (NBREM) logistics - 2016
- ✕ (Reference portfolio) logistics - 2016
- (NBREM) logistics - 2015
- ✕ (Reference portfolio) logistics - 2015

# Sustainable real estate management

GRESB survey in 2015 and 2016. The fund's portfolio in the US



- (NBREM) office and retail - 2016
- ✕ (Reference portfolio) office and retail - 2016
- (NBREM) office and retail - 2015
- ✕ (Reference portfolio) office and retail - 2015
- (NBREM) logistics - 2016
- ✕ (Reference portfolio) logistics - 2016
- (NBREM) logistics - 2015
- ✕ (Reference portfolio) logistics - 2015

# Costs



## MANAGEMENT COSTS

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

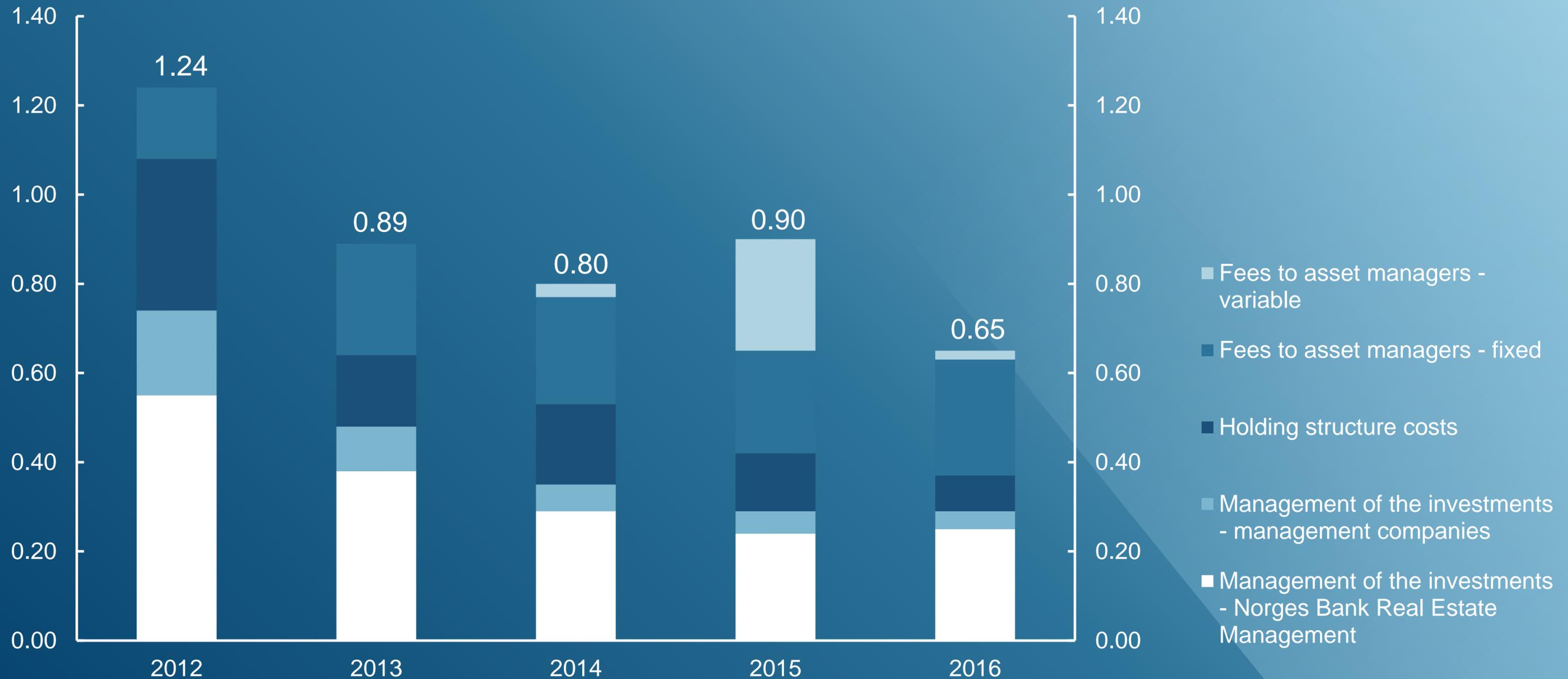


## OTHER COSTS

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

# Management costs

Based on average assets under management. Percent



# Investing through subsidiaries

## Key criteria considering the choice of holding structures

- Limitation of liability
  - Protect the fund against claims
  - Limit any claims to the individual property and its value
  - Ensure risk management
  
- Good control and governance structure
  - Ensure oversight, control and clear roles and responsibilities
  
- Efficient operational management
  - Limit costs, including tax costs
  - Ensure operational platforms for property management
  - Ensure efficient and secure cash management

# Holding companies

As at 31.12.2016

## DELAWARE

Directly owned: 32  
Indirectly 100% owned: 0  
Indirectly jointly owned: 210  
Total: 242

## OTHERS IN THE US

Directly owned: 0  
Indirectly 100% owned: 0  
Indirectly jointly owned: 1  
Total: 1

## LUXEMBOURG

Directly owned: 1  
Indirectly 100% owned: 17  
Indirectly jointly owned: 67  
Total: 85

## UK

Directly owned: 16  
Indirectly 100% owned: 26  
Indirectly jointly owned: 24  
Total: 66

## GERMANY

Directly owned: 0  
Indirectly 100% owned: 0  
Indirectly jointly owned: 7  
Total: 7

## FRANCE

Directly owned: 0  
Indirectly 100% owned: 7  
Indirectly jointly owned: 48  
Total: 55

## OTHERS IN EUROPE

Directly owned: 0  
Indirectly 100% owned: 0  
Indirectly jointly owned: 98  
Total: 98

## SINGAPORE AND JAPAN

Directly owned: 1  
Indirectly 100% owned: 1  
Indirectly jointly owned: 0  
Total: 2

# Organisation



**53** Oslo  
**41** London  
**25** New York  
**13** Luxembourg  
**4** Singapore  
**3** Tokyo

**6** OFFICES    **139** EMPLOYEES    **23** NATIONALITIES



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