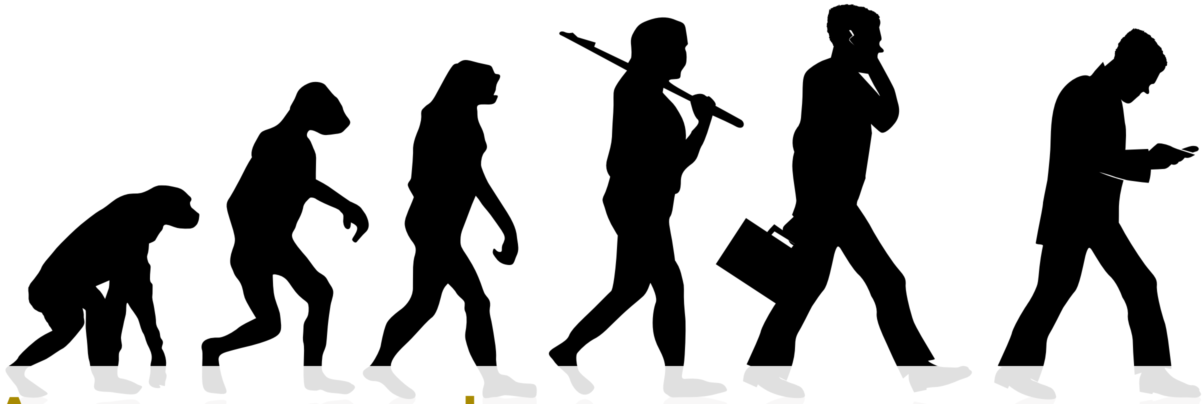

A new approach

Traditionally focused on the funds of start-up firms, real estate emerging manager programs are evolving, with newer mandates looking to invest in deals alongside smaller operating partners

Real estate emerging manager programs are undergoing an evolution. What was once a straightforward proposition of investing in the funds of first-time managers either directly or through a fund of funds structure has morphed into a system of programmatic joint ventures with small owner-operators, which may or may not even manage a fund. While the traditional route of investing in emerging managers has continued, a number of newer programs set up over the past couple of years have opted for the JV path, which in some ways follows the preferences of investors with regard to their overall real estate portfolios.

One timely example of this evolution is AVP Advisors. In gearing up for its next real estate emerging manager offering, the Los Angeles-based firm has switched from a fund of funds structure to a vehicle targeting programmatic JVs. "Our first vehicle was a fund of funds, so we really didn't have control over investment decisions or other major decisions," said Barry Chase, managing principal, in explaining his firm's strategy shift to *PERE*. "Under our new programmatic JV structure, we're going to have more of an opportunity to really be able to mentor and guide."

The new strategy also capitalizes on the growing trend among institutional investors to go direct with owner-operators as opposed to investing in commingled funds. "They want to get closer to the real estate and the decisions that are being made at the property level, but there's also an element of questioning certain aspects of the commingled fund structure," said Suzanne West, who joined AVP as a managing principal in August. "There's a view right now that, if they go direct and they go through programmatic JVs, they will have better execution with a better source of deal flow and be able to 'turn the spigot off' if the circumstances change."

Of course, AVP is just the latest player to jump on the programmatic JV bandwagon. Last year, the California Public Employees' Retirement System opted for a similar approach for its $200 million real estate emerging manager program with Canyon Capital Realty Advisors. And prior to that, the New York State Common Retirement Fund set up a $300 million program with Artemis Real Estate Partners.

In addition to the new approach to emerging manager programs, there remains varied definitions of what constitutes an emerging manager. For the purposes of the following feature, *PERE* has defined such a manager as a relatively new player to the private equity real estate space, but not necessarily the greater real estate industry. The firm's founders or key managers typically have established a track record at larger firms and now are looking to succeed on their own, or they can be firms that have been around for a while but only recently have sought institutional capital through a commingled vehicle. In terms of capital, the firms included generally have less than $2 billion in total assets under management and are targeting a fundraising of around $500 million or less from a first, second or third institutional real estate fund.

On the following pages, *PERE* profiles 10 private equity real estate firms around the globe that are on the verge of or just beginning to experience success with their strategy among investors. With continued success and institutional support, we expect that some of these firms will evolve into lasting players. □

Century Bridge Capital

Headquarters: Beijing and Dallas
Founded: 2008
Co-founders: Tom Delatour and Keith Tucker
Strategy: Residential development in China

Delatour: first came to China in 2006

You would be hard pressed to find a comparable story to that of Century Bridge Capital, the China-focused, Texas-run real estate firm. In fact, co-founder Tom Delatour had not even visited the country until 2006, making the firm's rise from an unknown entity to an established part of China's private real estate investment landscape all the more remarkable.

Beyond the challenge of cultural assimilation, Century Bridge hit the fundraising trail for its first fund, Century Bridge China Real Estate Fund, with the capital markets still reeling from the global financial crisis. Generally speaking, institutional investors had fallen out of love with blind-pool, commingled funds after widespread poor performance from the prior vintage, and that was reflected in the final closing of Century Bridge's maiden fund.

At $170 million, Century Bridge raised less than half of the $400 million it originally targeted. However, at a time when only the best performing established managers were raising anything (bigger rival Gaw Capital Partners managed less than half its original $900 million target), the firm's modest equity haul was widely regarded as a success.

With its maiden fund now largely deployed, Century Bridge is aiming to tap its 10-strong investor pool, as well as other investors, to back a second fund. With the Chinese real estate market widely considered to be capital-constrained, a successful fundraise should see the firm decently equipped to take advantage.

This time around, investors undertaking due diligence on Century Bridge will have visibility on what the firm can do. Indeed, it has sizeable exposure to developments in cities such as Hanghzhou, Wuhan, Wuxi and Zhongshan to add to completed projects in Xian and Chongqing. Not a bad start for a bunch of Texans in mainland China.