

AREF FutureGen Educational Series 2020
'The Bricks and Mortar of Real Estate'
Event 2: Acquisitions & Transactions
Tuesday 20th October 10:15 – 11:00am

THE WEBINAR WILL BEGIN AT 10:15am

Please remember to mute your microphone and turn off your camera (we will do this for you, if they are turned on) - this will keep the focus on the speakers.

*To view all speakers, select '**active cameras only**' from the viewing options on your screen*

Questions can be asked via the 'chat' function (look for the speech bubble and type your message to 'Organizers (only)'

This webinar will be recorded



Welcome

Rory Blazeby

Director – Alternative Investments at Ocorian
& Member of AREF FutureGen Committee



Introduction

Andrew Boyce

Partner, Carey Olsen

Speakers



Andrew Boyce
Partner, Carey Olsen



Olivia Drew
Transaction Manager, RE-
UK, UBS Asset
Management
& member of the
FutureGen Committee



Robert Houston
Founder of St Bride's
Managers & Independent
chair of UBS REPM
(Europe) Investment
Committee

Agenda

- **Introduction** - Andrew Boyce
- **Training Presentation** - Olivia Drew & Robert Houston
- **Moderated Q&A** (moderated by Andrew Boyce)
- 11:00 - Finish



Introduction

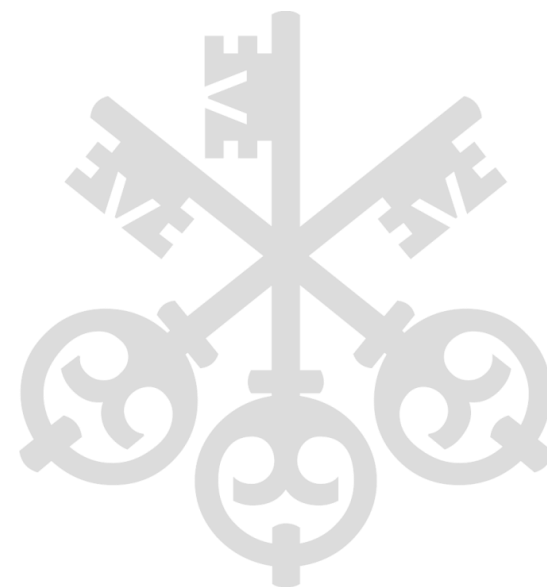
Olivia Drew

Transaction Manager, RE-UK, UBS Asset Management
& member of the FutureGen Committee

Transaction and Investment Committee Process

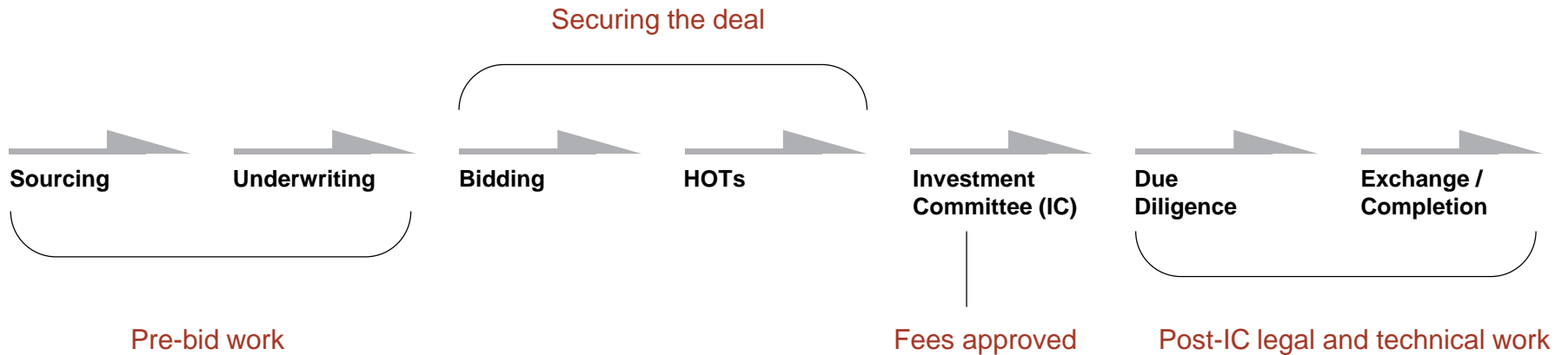
AREF Educational Series – Session Two

Robert Houston, St Bride's Managers and Olivia Drew,
UBS Asset Management



Transactions

Typical timeline of the transaction process



- The above graphic outlines the process that each transaction follows, but the time it takes to complete each stage can vary dramatically depending on a variety of factors
- The post-IC due diligence stage tends to be the longest part of the process, particularly if it is a share deal or leasehold transaction
- The order is *set in stone*. However, following due diligence findings, it may be necessary to revisit the IC stage for re-approval of the deal, including any points that have a material impact on the deal parameters

Source: UBS Asset Management, Real Estate & Private Markets (REPM); October 2020

Transactions

Pre-bid

Sourcing



- Fund strategy – what product are you investing for and what sectors / geographies / lot sizes are you trying to source stock from?
- Importance of both agency and principal relationships – maintaining strong relationships with agents in the market is key, but relationships with other principals can also be important
- Allocation policy and conflicting products – how do you tackle assets that suit two or more products on your product shelf?
- On market / off market deals

Underwriting



- Forecasting returns – occupational market, investment market, inflation, rental growth
- Specialist advice and when should you seek it – for example, care home underwriting
- Pricing considerations – cost of capital and varying return requirements
- Presentation to Fund Manger / clients / investors – hold periods, leverage, IRR / CoC

Source: UBS Asset Management, Real Estate & Private Markets (REPM); October 2020

Transactions

Securing the deal

Bidding



- Different types of processes – full process, quietly marketed and off market
- First round / second round
- Visibility over *the pack* / when to put your best foot forward
- Maintaining discipline / emotional factors

HOTs



- Commercial points to include – what is critical to include at this stage, and what is worth holding back for legal negotiations?
- Committing to a time frame
- Demonstrating deliverability
- Exclusivity period

Source: UBS Asset Management, Real Estate & Private Markets (REPM); October 2020

Transactions

Investment Committee – Transaction Manager perspective

Investment Committee



What goes into a good paper?

- Compelling investment rationale
- Demonstrating its suitability for the product
- Providing strong supporting evidence, both investment and occupationally
- Covenant analysis (this is not always applicable and has varying levels of importance depending on the deal specifics)
- Comprehensive financial underwriting, with stress testing analysis

How to prepare for the meeting?

- Ask colleagues to review the paper for you
- Speak to members of the IC about the types of issues they might want to raise
- Consider the questions and analysis you first did when looking at the investment, and the key points that got you comfortable
- Expect a strong debate! And don't be disheartened by challenge

Source: UBS Asset Management, Real Estate & Private Markets (REPM); October 2020

Transactions

Post-IC

Due Diligence



- Share deal or asset deal – this will significantly impact timing ability and the level of DD required
- Legal – report on title etc.
- Technical – building survey, M&E, environmental
- Potential price adjustments
- Negotiation between lawyers, negotiation between principals

Exchange / Completion



- Exchange - conditional exchanges, deposits
- Completion

Source: UBS Asset Management, Real Estate & Private Markets (REPM); October 2020

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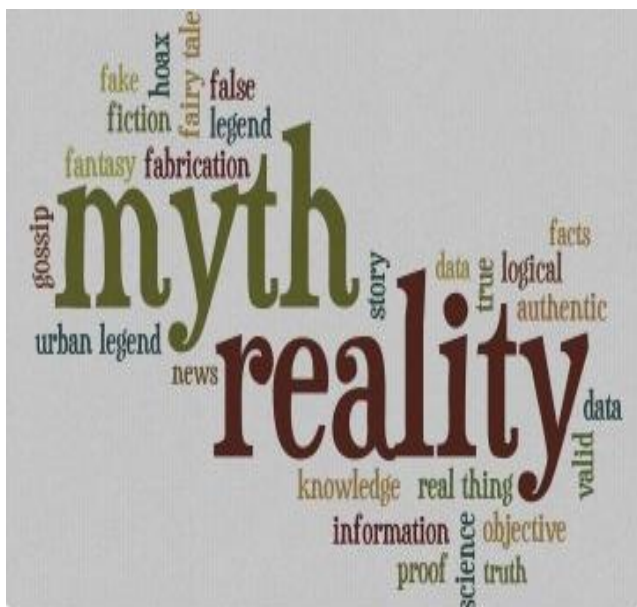


Introduction

Robert Houston

Founder of St Bride's Managers
& Independent chair of UBS REPM (Europe) Investment
Committee

Investment Committees – Dispelling the Myths



- Objectives of the Investment Committee
- Membership, voting and meetings
- Areas of over-sight and approval

Investment Committees - Objectives



- To ensure decisions are made in accordance with the agreed investment guidelines and restrictions
- To ensure diligent over-sight to investment proposals
- To avoid slip-ups and litigation!

Membership, Voting and Meetings



- An independent chairman can introduce rigour and neutralise internal politics
- Whilst decisions by majority are the norm, some houses allocate a veto vote
- The more comprehensive the presentation, the shorter the meeting!

Areas of Over-sight and Approval



- 1) Alignment of the proposal with agreed hard and soft guidelines
- 2) Delivery of past performance
- 3) Future portfolio strategy, projections and asset business plans
- 4) High level *structural* intervention
- 5) Capital transactions, significant asset management initiatives and financing
- 6) ESG compliance
- 7) Impact of transaction on the portfolio

An Independent Chairman's perfect dream



- Committee members who are focused, prepared and challenging... in a supportive way
- Strategies and performance critiques that are clear, committed, well thought-through and stretching
- Presentations that are concise, comprehensive and accurate



Moderated Panel Discussion & Q&A

Moderator: Andrew Boyce

Questions can be asked via the 'Chat' function (look for the speech bubble) and type your message to 'Organizers – only'



Thank you

The slides and recording from this webinar will be available to AREF members later this afternoon (sent via email and on website)