

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

EXH	MOTION <i>White</i>
	SECOND <i>McGowan</i>
	ACTION APPROVED BY THE REGENTS
NOTE:	APR 21 2005

Subject: Alternative Asset Commitment

Action Requested: Approval of LaSalle Asia Opportunity Fund II, L.P.

Background and Summary: We recommend a commitment of \$20 million to LaSalle Asia Opportunity Fund II, L.P., a real estate fund that will make property investments in Asian countries, with a primary focus on Japan and Korea. The target capitalization of the Fund is between \$750 million and \$1.0 billion.

This is the second, geographically diversified, Asian-focused fund for LaSalle Investment Management, Inc. The team recently formed a \$400 million, Japan-only, logistics fund.

LaSalle Investment Management is a wholly owned subsidiary of Jones Lang LaSalle, a worldwide, full-service real estate services firm. The LaSalle Investment Management organization includes approximately 300 investment professionals worldwide, managing over \$24 billion in real estate assets. LaSalle's Asia Pacific platform, formed in 2000, has grown from four to fifty professionals, and now manages extensive real estate assets in the Asia Pacific region from offices in Tokyo, Singapore, Seoul and Hong Kong. The team expects to take advantage of the parent organization's extensive network established throughout the region as well as the firm's research capabilities.

The Fund plans to continue the team's strategy to invest opportunistically, focusing on acquisitions from distressed sellers; sellers undergoing restructuring and seeking to remove real estate from their balance sheets; build-to-suit and sale-lease-back opportunities in certain sectors; and value-added transactions which involve repositioning and/or lease-up. Targeted property types include office, retail, modern logistics, residential and luxury resort/business hotels. LaSalle will seek to acquire properties in countries and sectors exhibiting signs of increasing and strong capital flows, growth, increasing transparency, favorable market regulations and attractive yields.

It is expected that the majority of the investments will be made in Japan and Korea, but other markets might include Hong Kong, Singapore, Thailand, and China.

The Asian real estate markets have become more transparent and sophisticated as a result of the entry of international capital into what had been purely domestic markets. In addition, government bodies are creating beneficial legislation enabling the securitization of real estate, with notable success in Japan and Singapore. Similar new regulations are being enacted or proposed throughout most of the region. These developments create attractive exit strategies for the Fund.

This investment fits within the University's real estate strategy to invest with experienced managers who have demonstrated an ability to add value. In addition, the Asian focus provides further diversification to our existing portfolio which is primarily domestic.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2005