Global Real Estate Portfolio: Opportunities in Housing Development
EXPO Real – Munich, Germany

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Overview: OBO and OBO/PRE
Mission, Vision, & Goals

MISSION
To provide safe, secure, resilient, and functional facilities that represent the U.S. Government to the host nation and support the Department’s achievement of U.S. foreign policy objectives abroad.

VISION
These facilities represent American values and the best in American architecture, design, engineering, technology, sustainability, art, culture, & construction execution.

GOALS
SECURITY
Enhance the security, safety, and functionality of facilities and residences for overseas personnel.

RESILIENCE
Provide industry-leading resilient facilities that represent the nation and support personnel in achieving U.S. foreign policy objectives.

STEWARDSHIP
Promote continuous improvement facilitated by a culture of optimizing people, processes, and supporting technology.
# Portfolio

<table>
<thead>
<tr>
<th>290</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,052</td>
<td>Domestic &amp; Overseas Assets</td>
</tr>
<tr>
<td>9,304</td>
<td>Government-owned</td>
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<tr>
<td>15,748</td>
<td>Leased</td>
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<tr>
<td>16,315</td>
<td>Residences</td>
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<tr>
<td>931</td>
<td>Office Buildings</td>
</tr>
<tr>
<td>$82B</td>
<td>Portfolio Value</td>
</tr>
<tr>
<td>7.6M</td>
<td>Gross Square Meter of Space</td>
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<tr>
<td>18,300</td>
<td>Culturally Significant Objects &amp; Artworks</td>
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</table>
# Program

<table>
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<tr>
<th>Capital Security Construction</th>
<th>Minor Construction &amp; Improvements</th>
<th>Major Renovation</th>
<th>Real Property Leasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 50+ Active Projects</td>
<td>- 320+ Active Projects</td>
<td>- 40+ Active Projects</td>
<td>- 15,700+ Leases</td>
</tr>
<tr>
<td>- $20B Workload</td>
<td>- $110M Workload</td>
<td>- $850M Workload</td>
<td>- $73B Replacement Value</td>
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<tr>
<td>Compound Security Upgrade</td>
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</tr>
<tr>
<td>- 24+ Active Major Projects</td>
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</tr>
<tr>
<td>- $400M Workload</td>
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</tbody>
</table>
Major Projects – Capital Security Construction Outlook FY22-27

15+ Planned Projects
- New Embassy or Consulate
- New Chancery or Office Annex
- Housing
Challenge: Leasing Program
Rental Benchmarks

The Rental Benchmark Program promotes cost-effective residential property leasing and efficient management of housing programs in response to individual market conditions.
Market Data Sources

Market-based benchmarks are developed and reviewed on:

1. Cost of the most recent leases for residential properties in post's housing inventory
2. Post’s rental market surveys;
3. Surveys conducted by private real estate firms contracted by OBO;
4. Independent sources’ analysis of local rental market information; and
5. Security restrictions on neighborhoods or areas placed on housing by the post RSO.
Challenge: Build to Lease Program
Background

Department of State provides housing for US employees overseas

- Total residential portfolio of 26,000 keys, combination of owned and leased
- Available housing in some locations has significant security, life-safety, or cost issues
- Quality of life and morale are also impacted, resulting in posts that are hard to staff

The Department is working to improve housing conditions where possible

- In some cases, by responding to unsolicited proposals or projects already in development
- In other cases, by proactively identifying locations with greatest needs and soliciting proposals
Background

Build-to-Lease Housing
- Typically, sole-occupancy compound of apartments or townhouses, with community facilities
- Competitive solicitation, not limited to US firms
- Private developer provides land, financing, design, and construction
- USG commits in advance to leasing the completed property
- OBO may purchase the property during/after the lease

Option-to-Lease Housing
- Similar outcome to BTL, but USG does not commit until design is complete at minimum
- Not a competitive solicitation. Generally, involves projects already planned or in construction
Regional Focus – Africa, Central America, Central Asia

Housing challenges at several Posts
- Security: housing compounds are often required or preferred
- Life safety: fire hazards and earthquake risk
- Cost: urban growth creating pressure on existing portfolio
- Availability: lack of quality construction and maintenance

Regional approach of clustered projects
- Provides opportunities for greater efficiency
- May involve use of same contractors, designs, construction oversight personnel for multiple projects
Project Planning Considerations

Land Acquisition
- Developer must obtain site control prior to agreement with USG
- Developer solely responsible for due diligence, purchase, permitting

Project Financing
- Developer responsible for financing project both during construction and during operations
- USG may provide limited funding at or prior to completion, for unique/non-market items
- Debt and equity providers are often satisfied with below-market yields, given the USG lease

Design
- USG will provide high-level design criteria, and will review developer’s design stages
- In addition to local codes, design must meet USG requirements for security, safety, and quality

Construction
- Developer responsible for hiring builder and project management/quality assurance teams
- USG monitors construction, installs certain features directly including appliances and furniture.

Management & Operation
- Landlord may operate and maintain property directly or through third-party contract
- Typical lease term is 8-12 years, with tenant’s option to renew or purchase
Staff Housing Port au Prince, Haiti
Staff Housing Santo Domingo, Dominican Republic
Staff Housing Santo Domingo, Dominican Republic
Staff Housing Addis Ababa, Ethiopia
Staff Housing  Addis Ababa, Ethiopia
Staff Housing Nairobi, Kenya
Staff Housing Nairobi, Kenya
Staff Housing Nairobi, Kenya
Challenge: Disposal Program
Disposal Program

Evaluates opportunities to:
- Increase the value of owned property prior to sale / disposal

Employs a variety of sale methods and marketing approaches to achieve the highest sale value for U.S. Government’s properties including:
- Sealed Bid
- Select Invitation
- Open Market Approach
- Auction
Challenge: Reinvesting Sale Proceeds – Housing Program
Purchase Programs

Staff Housing Opportunity Purchases (SHOP)
- Bulk purchases
- Financially driven
- Streamlined acquisitions

Mission Driven and Programmatic (non-SHOP)
- Designated property
- Commercial property
- Unique circumstances
Staff Housing Opportunity Purchase (SHOP) Program

GOAL
The SHOP Program invests real estate sale proceeds into residential properties that provide safe, secure, high-quality housing that also offers the best overall value to the U.S. government.

THIS OBJECTIVE IS ACCOMPLISHED BY:
- Increasing the overall proportion of U.S. government-owned property
- Improving the quality of the housing portfolio occupants
- Reducing leasehold expenses
- Avoiding lease renewal risk
- Appreciation in property value over time
SHOP – Prioritizing and Identifying Target Posts

Filtering

For example: Excluding countries where purchases are not permitted or have significant geopolitical challenges.

Scoring / Ranking / Prioritizing

For example: Scoring on specific OBO priorities such as low ownership rates, too oversized already, etc.

Market Assessment

For example: Exploring current market data (price, availability, building codes) to answer the question – “Is there anything to buy that meets our many requirements?”
SHOP – Due Diligence

Early due diligence is Key:

**TOP LEVEL DUE DILIGENCE**
- Develop Post short list
- Preliminary market investigation
- Post willing to participate?
- Acceptable pricing, sizes, locations
- FIRE standards
- Seismic standards
- Existing / proposed product
- Natural hazards

**PROJECT DUE DILIGENCE**
- Appraisals
- Lease-vs-buy analyses
- Legal investigation
- HOA Documents
- Vetting of sellers
- A/E inspections
- Make readies
- Post facilities management review
- Post security review
Staff Housing Opportunity to Purchase (SHOP) Program

Legend:
- **Red** – No SHOP Prospects (11 Total)
- **Yellow** – Active SHOP Action (20 Total)

* – Embassy Update 07/28/2022

Cities mentioned in the context of the SHOP Program include:
- Guayaquil
- Johannesburg
- Luxembourg
- London
- Prague
- Warsaw
- Stockholm
- Helsinki
- The Hague
- Tallinn
- Riga
- Kyiv
- Yerevan
- Sofia
- Podgorica
- Nicosia
- Paris
- Rabat
- Port of Spain
- Jerusalem
- Khartoum
- Phnom Penh
- Osaka
- Kobe
- Manila
- Port Moresby
- Ulaanbaatar
- Oslo
- Santiago
- Oslo
Joint-Venture / Public-Private Partnerships (JV/PPP) Program

- The Joint-Venture / Public-Private Partnership (JV/PPP) program extracts value from underutilized properties by redeveloping them with a private-sector partner.

- Deals are typically structured as an exchange where the U.S. government swaps sites (e.g., through a disposal or long-term out-lease) for newly constructed finished residential end-units.

- The JV/PPP process requires extensive risk management techniques and a longer transaction timeframes.

**JV/PPP PROCESS**
- Initial feasibility analysis
- Request for proposals
- Proposal evaluation
- Negotiations
- Partnership agreement
- Design review
- Construction oversight
The Out-Lease Program is designed to financially benefit the U.S. government by leasing or licensing USG owned properties which, for various reasons will not, or cannot, be sold. Often embassy missions identify American Schools and U.S. government affiliated organizations to lease / license the buildings.

**Asset Management:**
- Negotiates the terms of the out-lease
- Collaborates with post to oversees the transaction lifecycle
- Negotiates and completes lease renewals
- Works with embassy to manage the property
Work With Us
How to Get Involved

Monitor SAM.GOV
- One-stop source for US federal government contract opportunities
- Set up alerts based on geography, federal agency, and type of product and service.
- NAICS Code examples: 23 – Construction; 53 – Real Estate Leasing
- Product and Service Code examples: X – Lease Facilities; Y – Construction of Facilities

Via the local US Embassy or Consulate
- Embassy webpage and social media presence
- Contact Embassy directly or advertise

Contact OBO
- Capabilities Conversations
Working with OBO

www.state.gov/working-with-obo/

CAPABILITIES CONVERSATION

1. Watch our Bureau Introduction Video.

2. Click here to submit a request for scheduling a Firm Introduction. Complete this form expressing your interest to share about your firm’s experience, product and/or capabilities, and to request to attend one of our Firm Introduction sessions.

3. After receiving an email from OBO External Affairs, your firm may be invited to attend one of our upcoming group Introduction Sessions with OBO Subject Matter Experts. In this session, your firm will have a chance to discuss how your capabilities align with the Bureaus needs, presenting your experience and capabilities, followed by Q&A.

Introducing Your Firm

OBO now has a recorded Bureau Introduction Video that breaks down how projects are built, from real estate planning and acquisitions through commissioning and ongoing facilities maintenance. OBO leadership offers insight into the way teams are formed and how we work with our partners to deliver safe, secure, and resilient facilities for over 100,000 diplomatic staff around the world.

Along with the Bureau Introduction video, OBO holds sessions throughout the year to delve further into aligning OBO with partners that help make the program succeed. These partners include industry areas in real estate, architecture, interior design, engineering, construction, and facilities maintenance industries. For further steps on working with OBO, please see below:

1. Watch our Bureau Introduction Video.
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