

Part 2A of Form ADV: Kensington Realty Advisors, Inc. Brochure

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Brochure Update Amendment: March 28, 2012

This Brochure provides information about the qualifications and business practices of Kensington Realty Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 312 -993-7800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Kensington Realty Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov

The terms "registered investment adviser" or "registered" to do not imply a certain level of skill or training.

Item 2: Material Changes

None since last filing.

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Item 4: Advisory Business

- A. Kensington Realty Advisors, Inc. was formed April 15, 1991, and has been providing real estate investment management services continuously since that time. The firm is owned by two stockholder/employees, James S. Smith and James S. Lee. The ownership has remained the same since the inception of the company in 1991.
- B. The firm offers real estate investment management services including but limited to acquisition (financial analysis, underwriting, due diligence, negotiation and closing), asset management (property manager supervision, financial reporting, risk management), property management, debt placement, and disposition. The investment services primarily involve private direct ownership of large institutional grade property but on occasion include real estate securities generally in the form of partnership interests. Incidental to the overall business is the investment of cash in short term investments and securities. Short term securities may include commercial paper, CD's and US. Government backed securities directly or mutual funds that invest in these securities. The primary property types of focus include but are not limited to apartment, industrial, retail, and senior housing.
- C. Investment services are offered primarily on a separate account basis with customized strategies and objectives tailored for each client and investment. In some cases multiple clients invest in a single asset or strategy.
- D. The firm does not offer any *wrap fee programs*.
- E. The firm managed client assets on a discretionary basis totaling 886,720,523 and non-discretionary assets totaling \$ 0.00 as of December 31, 2011.

Item 5: Fees and Compensation

A. Kensington Realty Advisors, Inc.

There is no set fee schedule. Compensation is based on several methods including hourly, percentage of assets, fixed fees, percentage of property income and percentage of property profits upon sale. All fees are negotiable.

B. Acquisition fees are due and payable at closing, asset management fees are paid monthly or quarterly in arrears and are usually deducted from clients assets unless otherwise requested. Disposition or performance fees are due and payable at the time of asset sale. Refunds are not made.

C. Customary fees are based upon the following methods:

- 1) Percentage of assets under management – The charged on the percentage of assets under management is 1% per annum (paid quarterly or monthly) based upon the total of assets under management. Alternately, asset management fees are charged as a percentage of gross or net income not to exceed 8%.
- 2) Fixed Fee – the fee of 0.75% per annum on assets managed is charged plus acquisition/disposition fees of up 1.5-2.0% per transaction of the total asset value. For placement of debt a percentage of the loan amount or commitment is charged that ranges from .50 to 1.0% of the amount depending of loan amount and project scope.
- 3) Hourly Method – Occasionally short term or specific project advisory work is done on an hourly basis. Current hourly rates range from \$250-500 depending upon project scope and staff members involved.
- 4) Incentive/performance fees are charged based on actual investment performance exceeding pre-agreed thresholds that are typically based upon a minimum return.

Asset Values for fee calculation are based upon cost or appraised value. Independent appraisals are performed every one to three years depending on client policy. No separate fees commissions are charged for short term securities investment.

D. Kensington does not require clients to pay fees in advance.

E. Not Applicable.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-based fees and side by side management are not used in relation to short term investment of cash or securities; they are only utilized in respect to real estate investments. As indicated above, incentive/performance based fees are typically charged and paid if achieved at the time of sale of the investment. The fee methodology for any individual investment is the same for all clients although the percentage charged may vary due to size of the client's investment. The firm and/or its employees may invest in the same investment as clients with full disclosure to the client. Any such investment will be done at the same time and at the same price as the client unless otherwise agreed by the client. Kensington Realty Advisors, Inc. believes this practice aligns the firm's interest with the investor and is not a conflict of interest.

Item 7: Types of Clients

Clients include pension plans, governmental entities and high net worth investors. Institutional account minimum size is one million dollars. Private investor account minimum size is fifty thousand dollars. Clients invest via separate accounts, mortgages, group trusts, partnerships and other group vehicles.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

- A. The primary method of short security analysis involves credit and pricing analysis. Credit information is obtained from rating agencies. Pricing information is obtained from financial publishers, internet sources and dealers. The investment strategy for short term cash investment is predominantly focused on preservation of capital and second maximizing yield. The risk of most concern is loss of principal as a result of issuer default or capital market dislocation. Given the objective of safety of principal, only highest quality of issuers are considered for investment.
- B. The primary method for analysis of real estate investments is fundamental analysis of macro and micro economic factors and trends. Kensington Realty Advisors, Inc. receives economic, demographic, construction and financial research information from third-parties that it pays for on a subscription or retainer basis. Kensington also tracks micro-economic factors sourced from portfolio investments which are utilized for analysis and research. Kensington receives a significant amount of research information from six or more industry groups of which it is a member.

Item 8: (Cont.) Methods of Analysis, Investment Strategies and Risk of Loss

Kensington's investment committee with the assistance of staff members develops various core, value-added and opportunistic strategies for the property types in its focus area. The ultimate objective is to maximize return for a given level of risk. Strategies are devised with each client's risk/return, holding period and investment capacity objectives in consideration. Upon approval of the client strategy, tactical plans for execution of the strategy are developed and implemented.

- C. Individual investments for consideration are reviewed for conformance with the client strategy, micro-macro factors, cash-flow modeling and risk analysis. Risk factors most critical to investment performance include local supply and demand for the intended use, capital market pricing and flows and overall national economic factors. Each investment undergoes sensitivity analysis in order to consider potential outcomes and risks in varied scenarios. Ranges of investment performance are projected upon these scenarios.

Item 9: Disciplinary Information

Kensington Realty Advisors, Inc. and any of its management personnel have not been involved in any investment related legal or disciplinary events during the last ten years.

- A. Not Applicable.
- B. Not Applicable.
- C. Not Applicable.

Item 10: Other Financial Industry Activities or Affiliations

- A. Neither the Company nor any of its management persons are registered or have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.
- B. Neither the Company nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Item 10: (Cont.) Other Financial Industry Activities or Affiliations

- C. Kensington Realty Advisors, Inc. and its managed persons do not have any other business activities other than the securities investment related to real estate investment and the direct investment management of real estate which is outlined above.

Kensington Realty Advisors, Inc. and its management persons do not have any relationships or arrangements that are material to our advisory business or to our clients with any related persons.

- D. Not Applicable.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. Kensington Realty Advisors, Inc. adopted a Code of Ethics pursuant to SEC Rule 204A-1 on October 2004 and reviews and updates it at least annually. The Code of Ethics addresses the following:

- Fiduciary Relationship
- Policies and Procedures
- Personal Securities Transaction Policy
- Ethical Duties to Other Parties

It is reviewed annually by the firm and each employee indicates their agreement to abide by the code. Kensington Realty Advisors, Inc. will provide a copy of our Code of Ethics to any client or prospective client upon request. In addition, as required by the SEC the firm maintains a Compliance Manual that is reviewed and updated at least annually.

- B. Not Applicable.

- C. Kensington Realty Advisors, Inc. and/or its stockholders and employees may from time-to-time invest in real estate investments upon the same terms as its clients. This is only done at the outset of a new investment, at the same price and terms with full disclosure to the client. Kensington Realty Advisors, Inc. believes that this does not create a conflict of interest, rather it creates an alignment of interest between the firm and the client.

- D. Not Applicable.

Item 12: Brokerage Practices

- A. Not Applicable.
Kensington does not select or utilize broker-dealers.

Item 13: Review of Accounts

- A. The Investment Management Committee (James S. Smith, President/CCO, James S. Lee, Senior, Executive Vice President, Kelley J. Smith, Senior Vice President) reviews client accounts at least quarterly. The items and matters reviewed include financial reports, occupancy, risk analysis, cash management, investment strategy and physical condition.
- B. Accounts are reviewed more often in the event of a trigger such as a material change in occupancy, casualty loss, financial impairment, legal issue, purchase offer or market change.
- C. Annual budgets and business plans are also prepared for each investment account and client. Clients receive written reports on a quarterly basis and business plan and budget annually. Institutional client accounts receive third party financial audits annually. Property investments are independently valued annually unless the client requests otherwise.

Item 14: Client Referrals and Compensation

- A. Not Applicable. Kensington Realty Advisors, Inc. does not compensate third parties for client referrals.
- B. Not Applicable.

Item 15: Custody

Kensington Realty Advisors, Inc., does for some clients, have custody of client funds. Those clients who request them receive copies of bank statements directly on a monthly basis. Institutional clients also receive annually independent financial audits. Clients are urged to compare the bank statements and annual audits to the quarterly financial statements provided by Kensington Realty Advisors, Inc.

Item 16: Investment Discretion

Kensington does not accept discretionary authority to manage client's securities except for the short term investment of cash that is incidental to the overall real estate investment.

Item 17: Voting

- A. Not Applicable. Kensington Realty Advisors, Inc. does not accept authority or vote client securities.
- B. Not Applicable.

Item 18: Financial Information

- A. Not Applicable. Kensington Realty Advisors, Inc. does not require or solicit pre-payment of fees.
- B. Not Applicable.
- C. Not Applicable.

Item 19: State Registered Advisers

- A. Not Applicable.
Kensington Realty Advisors, Inc. is not a state registered adviser.
- B. Not Applicable.
- C. Not Applicable.
- D. Not Applicable.
- E. Not Applicable.

Part 2B of Form ADV: Kensington Realty Advisors, Inc. Brochure Supplement

Item 1:

A.

1. James S. Smith, President/CCO
2. Kensington Realty Advisors, Inc.
100 N. Riverside Plaza
Suite 2300
Chicago, IL 60606
312 993-7800
3. March 7, 2011

B.

This brochure supplement provides information about James S. Smith that supplements the Kensington Realty Advisors, Inc. brochure. You should have received a copy of that brochure. Please Catherine Wright if you did not receive Kensington Realty Advisors, Inc. brochure or if you have any questions about the contents of this supplement.

Item 2: Educational Background and Business Experience

James S. Smith, President/CCO

Birthdate: 11-17-1953

University of Wisconsin-Madison BBA 1975, MS 1977

1991-Present: President of Kensington Realty Advisors, Inc.

Illinois Real Estate Licensed Broker

CRE – Counselor of Real Estate – Awarded by the Counselors of Real Estate as a member by invitation only as a person who possesses exceptional knowledge, integrity and experience in the field of real estate counseling.

Item 3: Disciplinary Information

Not Applicable.

Mr. Smith has not been involved in any investment related legal or disciplinary events in the last ten years.

Item 4: Other Business Activities

Not Applicable.

Mr. Smith is not actively engaged in any other investment-related business or occupation.

Item 5: Additional Compensation

Not Applicable.

Mr. Smith does not receive any additional bonuses related to client referrals, new accounts or new sales.

Item 6: Supervision

The advice Mr. Smith provides to clients is supervised by the firm's investment committee which consists of the two stockholders and the head of portfolio management. Mr. James S. Lee would be the other most senior member of the committee.

Item 7: Requirements for State-Registered Advisers

Not Applicable.

Item 2: Educational Background and Business Experience

James S. Lee, Executive Vice President

Birthdate: 6-12-1956

University of Minnesota BA 1978, MBA 1982

1991-Present: Executive Vice President of Kensington Realty Advisors, Inc.

Illinois Real Estate Licensed Broker

CRE – Counselor of Real Estate – Awarded by the Counselors of Real Estate as a member by invitation only as a person who possesses exceptional knowledge, integrity and experience in the field of real estate counseling.

Item 3: Disciplinary Information

Not Applicable.

Mr. Lee has not been involved in any investment related legal or disciplinary events in the last ten years.

Item 4: Other Business Activities

Not Applicable.

Mr. Lee is not actively engaged in any other investment-related business or occupation.

Item 5: Additional Compensation

Not Applicable.

Mr. Lee does not receive any additional bonuses related to client referrals, new accounts or new sales.

Item 6: Supervision

The advice Mr. Lee provides to clients is supervised by Mr. James Smith, his supervisor, and President of the firm.

Item 7: Requirements for State-Registered Advisers

Not Applicable.

Item 2: Educational Background and Business Experience

Kelley J. Smith, Senior Vice President
Birthdate: 9-2-1959
Illinois State University BS 1981 Accounting
1992-Present: Senior Vice President of Kensington Realty Advisors, Inc.
CPA – 1983

Item 3: Disciplinary Information

Not Applicable.
Ms. Smith has not been involved in any investment related legal or disciplinary events in the last ten years.

Item 4: Other Business Activities

Not Applicable.
Ms. Smith is not actively engaged in any other investment-related business or occupation.

Item 5: Additional Compensation

Not Applicable.
Mr. Smith does not receive any additional bonuses related to client referrals, new accounts or new sales.

Item 6: Supervision

The advice Ms. Smith provides to clients is supervised by Mr. James Smith, her supervisor, and President of the firm.

Item 7: Requirements for State-Registered Advisers

Not Applicable.