

MSDW Real Estate Special Situations II Manager L.L.C.

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This Brochure provides information about the qualifications and business practices of MSDW Real Estate Special Situations II Manager L.L.C (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Morgan Stanley Real Estate Investor Services at 212-761-7160 or email msreinvestor@morganstanley.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information you may find useful in determining to hire or retain an Adviser.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

We provide this brochure to our clients as well as limited partners of the pooled investment vehicles we advise (“Limited Partners”).

There are no material changes since the last annual update of this Brochure, which was dated March 31, 2011.

We will provide clients and Limited Partners with a new Brochure as necessary based on changes or new information, at any time, without charge upon request.

Our Brochure may be requested by contacting Morgan Stanley Real Estate Investor Services at 212-761-7160 or email msreinvestor@morganstanley.com.

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Item 4 – Advisory Business

MSDW Real Estate Special Situations II Manager L.L.C. (the “Adviser”) was formed in 1999 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 1999.

The Adviser is a wholly-owned indirect subsidiary of Morgan Stanley.

As of December 31, 2011, the Adviser had approximately \$24,000,000 of assets under management comprised of temporary investments in cash and/or cash equivalents, all of which are managed on a discretionary basis.

The Adviser was organized for the sole purpose of providing advisory services to the co-investing partnerships that comprise Morgan Stanley European Real Estate Special Situations Fund II (the “Funds”). The Funds have engaged the Adviser to provide investment advice with respect to the investment objectives of the Funds which were designed to seek capital appreciation principally through minority investments in securities of real estate operating companies in Europe. The Funds have dissolved and are currently winding up their affairs. The sole remaining asset of the Funds is cash and/or cash equivalents and the Funds will not in the future acquire any new investments in securities of real estate operating companies. In the past during the investment periods of the Funds, the Funds principally made privately negotiated investments.

In providing its services to each of its advisory clients, the Adviser formulates such client’s investment objectives, directs and manages the investment and reinvestment of assets, and provides reports to investors. The Adviser manages the assets of each advisory client in accordance with the terms of the governing documents applicable to such client.

The Adviser’s affiliation with Morgan Stanley, including Morgan Stanley Real Estate, the real estate business of Morgan Stanley, and its subsidiaries and the supporting units dedicated to the real estate business (collectively, “MSRE”), provides it with access to valuable relationships, market knowledge, and financial and operating expertise. MSRE has been engaged in the real estate business since 1969 and the banking and investing businesses employ banking and investing professionals worldwide who have demonstrated a proven ability to source deals, structure complex transactions and identify multiple exit strategies which enhances the Funds’ ability to meet their return objectives. The Adviser targets investments for the Funds from multiple sources including the following categories: (i) corporate spin-offs, liquidations and sales of real estate-related subsidiaries; (ii) publicly traded or privately held real estate operating companies; (iii) direct real estate assets; and (iv) real estate developments. Within the above categories, the Adviser invests in a broad range of asset classes.

Item 5 – Fees and Compensation

Fee rates are subject to negotiation, and may be higher or lower than the fees charged to other clients.

Management Fees

With respect to each of the Funds, the Adviser or a related person of the Adviser is paid a quarterly management fee (payable in arrears) which is funded by the limited partners and is generally calculated at a rate based on the amount of each Limited Partner's average daily invested amount. Such fees range from 1% to 1.5%, depending on the client's capital commitment and the average daily invested amount. For investments in freely tradable securities, the rate is 0.25% per annum.

Acquisition Fees

During the investment period of the Funds (now expired), the General Partners of the Funds was entitled to receive an acquisition fee payable with respect to certain acquisitions in an amount based on the gross value of the consideration paid for each investment, which ranged from 0.50% to 1.0% , provided that no acquisition fee was payable with regard to (i) temporary short term investments of cash and cash equivalents, (ii) securities purchased on the open market, or (iii) acquisitions from an affiliate of the Adviser (unless the affiliate purchased the securities with the intention of transferring the securities to the Funds).

As the Funds have dissolved and are winding up their affairs, no further acquisition fees will be payable.

Carried Interest

Save as indicated below, with respect to each Fund, the General Partner of the applicable Fund will also be entitled to a distribution of up to 20% of a Limited Partner's gain from an investment, which fee complies with the provisions of Rule 205-3 under the Advisers Act; provided that the remaining 80% allocated to the Limited Partner is sufficient to give the Limited Partner a 9% annual compounded internal rate of return on that investment.

With respect to the Funds advised by the Adviser, the Funds are entitled to a clawback of the General Partner's carried interest in certain circumstances.

Placement Fees

With respect to the Funds, broker-dealers who are affiliates of the Adviser may act as placement agents to assist in the placement of a Fund's interests. Any placement fee not payable by us will be in addition to a client's capital commitment. The amount of any placement fee will be described in the placement agent's point of sale letter. However, the placement agents or distributors may in their sole discretion waive the placement fees payable by an investor, including an investor that is an employee or affiliate of the Adviser.

Expenses

The Funds may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to such Funds. The payment of such expenses by the Funds does not represent a source of profit for the Adviser, but rather is a reimbursement of actual costs initially paid by the Adviser (or its affiliates) and subsequently passed through to the Funds. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential Fund investment (including unreimbursed deposits and commitment fees), (ii) ordinary administrative expenses, including the maintenance of books and records of the Funds, (iii) all expenses incurred in obtaining legal, tax and accounting advice and (iv) expenses incurred in connection with the dissolution and liquidation of the Funds.

See also Item 12 relating to certain transaction fees and expenses which may arise from the brokerage practices of the Funds.

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

In some cases, the Adviser has entered into performance fee arrangements with qualified clients and such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

The Adviser provides portfolio management services to other pooled investment vehicles. These pooled investment vehicles are not subject to regulation under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Generally, Fund investors were required to invest a minimum of \$10 million, unless otherwise approved. In addition, one of the Funds is designed to admit only Morgan Stanley current and former employees (and certain other permissible related investors) and investors in that Fund had a different minimum investment threshold, unless otherwise approved.

In addition, Limited Partner interests in a Fund may be purchased only by certain eligible investors who are “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), and “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act. In the case of the employee Fund described above, interests have been offered and sold to investors who are “accredited investors” as defined in Regulation D of the Securities Act and in accordance with the requirements of an exemptive order under the Investment Company Act received by Morgan Stanley from the SEC in April 2000.

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

As the investment periods of the Funds are now closed, the Adviser may in the future cause the Funds to invest cash held by the Funds in temporary investments (“Temporary Investments”) on a short-term basis pending distribution to Fund investors, investment in long-term equity investments, or payments of expenses or other obligations of the Funds. Temporary Investments will principally take the form of warrants, corporate debt securities, commercial paper and certificates of deposit. Capital invested in Temporary Investments and any gains thereon will generally be distributed (or deemed distributed) to Fund investors in proportion to their capital contributions to each such investment, and will not be subject to the payment of carried interest to any entity or the requirement of an internal rate of return to Fund investors. The Adviser may cause the Fund to employ hedging techniques to reduce the risk of adverse interest rate, currency, credit or security movements on investments.

The Adviser’s main source of information and investment opportunities are contacts with employees of Morgan Stanley, a public company traded on the New York Stock Exchange (of which the Adviser is an indirect subsidiary), industry executives and established business relationships.

During their investment periods, the investments made by the Funds were in European real estate opportunities, including, among other things, investments in publicly traded or privately held real estate operating companies.

Given that the Funds have dissolved and are in the process of winding up their affairs and will not make new investments in real estate related investment opportunities described above, no further information is provided as to how the Funds evaluate investment opportunities and make investment decisions, manage risk, or engage in asset management.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear.

As the Funds have dissolved and are winding up their affairs, and will only hold cash or cash equivalents until final distribution to investors, other than as set forth below, no discussion of risk factors is included herein.

Material risks associated with the Funds’ investment strategies include:

- burdensome regulation by one or more governmental entities in specific industries;
- interest rate fluctuations; and

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- fluctuations in exchange rates between the U.S. dollar and relevant local currencies;

Please see the Confidential Private Placement Memorandum for each of the Funds for a more detailed discussion of the foregoing and other risks related to the Funds.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. Morgan Stanley announced in February 2009 that it had uncovered actions initiated by an employee based in China in an overseas real estate subsidiary that appear to have violated the United States Foreign Corrupt Practices Act. Morgan Stanley terminated the employee, reported the activity to appropriate authorities and is working with authorities on the matter.

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser has and may in the future receive a variety of services from one or more of its affiliates, including Morgan Stanley & Co. LLC, a registered broker-dealer and a registered investment adviser, including, but not limited to, information regarding potential investment opportunities, financial advice and assistance in connection with the making, monitoring and disposing of investments, underwriting and capital markets services, lending and other financing services, and brokerage services in connection with the sale of investments. Any such services could involve conflicts of interest with respect to price and other terms applicable to the transactions. The Adviser will seek to deal with its affiliates providing such services on an arm's length basis, and to seek terms no less favorable than those available from unaffiliated persons.

The Adviser is the manager of the general partner of the Funds. The Adviser and/or certain related persons have and may continue to organize other partnerships and serve as the manager, general partner, or the managing member or general partner of the general partner, to these partnerships.

In addition, Morgan Stanley has relationships with a significant number of corporations, institutions and individuals other than the Adviser. These include a broad range of investment banking activities, such as representing potential purchasers and sellers in real estate-related transactions or representing parties in corporate transactions.

The Adviser may from time to time compensate certain of its employees, its affiliates' employees or any other placement agents in return for referrals of Limited Partners who invest in the Funds. Any additional compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act.

Finally, the Adviser and its affiliates face conflicts of interest resulting from the broad spectrum of activities in which Morgan Stanley engages, including those relating to:

- conflicts of interest between Morgan Stanley and investors in the Funds;
- conflicts of interest among Morgan Stanley's clients and investors in the Funds;
- financial incentives related to carried interest arrangements;
- Morgan Stanley's or its affiliates' pursuit of investments on a proprietary basis on its own behalf or on behalf of other funds its advises;
- Morgan Stanley's advisory relationships with clients that may compete with, or otherwise have interests that are adverse to, the interests of the Funds;
- Morgan Stanley's interests as a lender or other counterparty that could be in conflict with those of a Fund and the interests of the Limited Partners;

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- the exercise by Morgan Stanley of its discretion to allocate investment opportunities, time and resources among its various businesses, clients and Morgan Stanley related persons;
 - Morgan Stanley's independent investment management, sales and trading and other businesses;
 - purchases or sales of assets by the Funds from or to Morgan Stanley or companies in which Morgan Stanley has an interest and other counterparty transactions;
 - fees paid by the Funds to Morgan Stanley for investment banking or other services, which will not be shared with the Funds;
 - restrictions applicable to the Funds as a result of Morgan Stanley being subject to the Bank Holding Company Act of 1956, as amended, and the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
 - Morgan Stanley acting as a broker for one or more of the Funds and another person on the other side or a transaction;
 - broker-dealers affiliated with Morgan Stanley acting as placement agents or distributors with respect to the Funds; and
 - short term investments of excess cash in Morgan Stanley-managed money market funds or other cash management vehicles from which Morgan Stanley will receive customary fees.

Conflict Identification and Mitigation

Morgan Stanley and the Adviser have established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. A conflict management officer for each business unit and/or region acts as a focal point to identify and address potential conflicts of interest in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to firm management or the firm's franchise committees, for potentially significant conflicts that cannot be resolved by the conflict management officers or that otherwise require senior management review. In addition, the Adviser addresses conflicts through disclosure to its investors and should any transactions presenting a potential conflict of interest actually arise, the Adviser may in certain situations choose to seek the approval of the Advisory Committee with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3) thereunder. The Adviser may also choose to seek the approval of Limited Partners of the applicable Funds with respect to certain conflict situations or matters under the Advisers Act.

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

Code of Ethics

The Adviser has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act, applicable to employees of the Adviser who are based in North America and Investment Committee members ("Access Persons"). Each Access Person is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by Access Persons are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by Access Persons with respect to their personal trading and other business activities.

The Code addresses the personal trading and investment activities of Access Persons, as more fully described below. In addition, the Code addresses standards of business conduct and fiduciary duties expected of Access Persons, including confidentiality obligations and restrictions on outside business activities and other conflicts of interest.

Violations of the Code are subject to sanction, including reprimand, demotion, suspension or termination of employment.

Copies of the Code are available upon request from the Adviser.

Personal Trading and Investments

The Code refers to a number of policies governing the securities trading and investing activities of employees for their own accounts. Such policies require all Access Persons to pre-clear trades for covered securities, as defined under the policies, in a personal account. A pre-clearance request will be denied if such securities are under consideration for investment, or have been acquired by, a client of the Adviser, or if the Adviser is in receipt of material non-public information of the company or if another conflict exists. Such policies also impose holding periods and reporting requirements for covered securities. In addition, investments in private placements or an employee's participation in an outside business activity must be pre-approved by the employee's designated manager and the Chief Compliance Officer.

Participation or Interest in Client Transactions

We recommend that clients invest in Funds for which we act as investment adviser. Prior to subscribing for interests in a Fund advised by the Adviser, investors receive information relating to potential conflicts of interest between the activities of the Fund and the business activities of the

Adviser, and its affiliates, or clients that may have a financial interest in the securities in which the Fund invests.

On rare occasions, a Fund may sell a security or asset which another Fund, or an affiliate of the Adviser, wants to own. On these occasions, after extensive Firm and legal and compliance review and documentation, a sale of the security or asset from one Fund to another will be permitted.

The Adviser may purchase and sell public and private investments and co-invest the assets of the Clients alongside other Funds and accounts managed by the Adviser or its affiliates in compliance with the requirements and conditions of rules, regulations, orders, or interpretations of the SEC, or no-action letters of the SEC Staff, and in accordance with Fund and Client account governing documents. The Adviser has adopted an Allocation Policy and Procedures in order to ensure that each Client is treated in a fair and equitable manner. The following factors will be considered, as appropriate, in connection with allocation decisions:

- Investment guidelines, goals or restrictions of the client
- Capacity of the client
- Existing allocation to similar strategies and the diversification objectives of the client
- Tax, legal or regulatory considerations
- Rights of first offer in favor of a client
- With respect to co-investment allocations, whether the co-investor can provide value add to the operations of the business or provide future opportunities to the business of the client
- Other relevant business considerations

Please refer to Item 10 for a description of other financial industry activities and affiliations of Morgan Stanley, and a discussion of the material conflicts relating thereto.

Item 12 – Brokerage Practices

When executing transactions on behalf of the Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser's effort to obtain best execution on any individual transaction depends substantially on its judgment, knowledge and experience in evaluating the counterparties', advisers' and service providers' ("Counterparties") reliability and capability based on previous and pending transactions effected by the broker-dealer for client accounts. Some of the factors considered by the Adviser in selecting a Counterparty include, among other things, execution quality and capabilities, including with regard to market making, commissions charged by and gross compensation paid to such Counterparty, and special knowledge of the Adviser's client's markets.

The Adviser will only consider engaging in a principal or cross transaction with Morgan Stanley or its affiliates on behalf of a fund or client to the extent permitted by applicable law. The Adviser has adopted policies and procedures to ensure compliance with Section 206(3) of the Advisers Act, where applicable.

A broker-dealer (including a Morgan Stanley affiliate) may act as agent for one or more clients in selling publicly traded securities simultaneously. In such a situation, transactions may, but are not required to, be bundled and clients will receive proceeds from sales based on average prices received, which may be lower than the price which could have been received had each client sold its securities separately from such broker-dealer's other clients.

Item 13 – Review of Accounts

In the past and during the investment periods of the Funds, the investments made by the Funds (as defined herein) were generally private, illiquid and long-term in nature. Accordingly, the review process was not directed toward a short term decision to dispose of securities. However, the Adviser's portfolio management staff closely monitors companies and assets in which the Funds invest and generally maintains an ongoing oversight position in such companies and assets (including, where relevant, representation on the board of directors of such companies). Such reviews occurred on a quarterly, and in some cases, monthly basis. In addition, during the investment periods of the Funds, the General Partner's Investment Committee for each Fund reviewed and approved all significant proposed investment decisions made on behalf of the relevant Fund.

Currently, given the fact that the Funds have dissolved and are only holding cash and/or cash equivalents, the reviews of accounts occur generally on at least a monthly basis.

The Adviser provides written quarterly unaudited reports and annual audited reports to the Limited Partners of the Adviser's clients, which include, among other things, financial statements and descriptions of the investments in the Funds.

Item 14 – Client Referrals and Other Compensation

The Adviser may from time to time compensate certain of its employees, its affiliates' employees or any other placement agents in return for referrals of Limited Partners that have not previously invested in a fund managed by the Adviser. Any compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act if applicable.

Item 15 – Custody

The Adviser is deemed to have custody of the Funds' cash and securities by virtue of its relationship with the General Partners of the Funds. Each Limited Partner of a Fund receives such Fund's audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the Fund's fiscal year.

Item 16 – Investment Discretion

As the manager of the general partner of the Funds, the Adviser will have discretion to determine, without consent of the Fund investors, the particular securities to be bought and sold, the broker or dealer (including a Morgan Stanley affiliate) to be used (if any) and the commission rates to be paid by the Funds in cases where a broker or dealer is used. The Adviser will provide investment advice to the Funds, subject to certain investment limitations regarding concentration and diversification, geography and type of permitted investments as set forth in the Fund partnership agreements. Such investment limitations may be disregarded with the consent of the Fund's Advisory Committee, as set forth in the Funds partnership agreements.

When executing transactions on behalf of the Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain the most favorable commission and the best price available on each transaction in light of the quality of execution provided. Consequently, brokers, dealers and underwriters are selected primarily on the basis of their execution, capability and trading expertise.

Investment discretion is assumed pursuant to the Funds partnership agreements, which confer express authority to the general partner and its affiliates (including the Adviser) to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments.

Item 17 – Voting Client Securities

Where the Adviser has accepted authority to vote proxies on behalf of a client, the Adviser will vote proxies in accordance with its policies and procedures in place for voting of proxies (the “Proxy Voting Policy”), which are designed to ensure compliance with Rule 206(4)-6 of the Advisers Act. Copies of the Proxy Voting Policy are available upon request from the Adviser. Under the Proxy Voting Policy the Adviser will vote proxies on behalf of the clients based on a determination of the best interest of the clients, consistent with the objective of maximizing long-term investment returns for the clients.

In many situations, a client is a party to a stockholder or a similar agreement. These agreements are entered into in the best interests of the clients, and may require the advisers to vote the other investors’ nominees to a board of directors or similar body, or require a vote in favor of a particular transaction. If this is the case, the Adviser will comply with the applicable clients’ contractual obligations.

Where no contract requires a client to vote for a specific outcome, the Proxy Voting Policy is designed to be responsive to the wide range of issues that may be subject to proxy vote, but is not exhaustive due to the variety of proxy voting issues that the Adviser may be required to consider.

The clients generally make a limited number of direct investments in portfolio companies that will become or are public. As a result, the Adviser will generally cast proxy votes on behalf of the clients with respect to a limited number of public portfolio companies.

The Adviser reserves the right to depart from the Proxy Voting Policy in order to avoid voting decisions that it believes may be contrary to the clients’ best interests. In addition, the Adviser may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that the client’s interests are better served by an abstention.

The Adviser may be subject to conflicts of interest in the voting of proxies. A potential conflict of interest may occur where an adviser or any of its affiliates or their respective employees has a direct or indirect economic stake in the outcome of a proxy vote that is different from a client’s stake. When such a potential conflict arises between an Adviser and any of its affiliates or their respective employees on the one hand and one or more of the clients on the other, the matter is evaluated to determine whether an actual conflict exists. Where an actual conflict exists, the Adviser will take necessary and appropriate steps to address the conflict.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosure about the Adviser's financial condition. The Adviser is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.