

**Item 1. Cover**



**PNC Realty Investors, Inc.  
Form ADV Part 2A  
March 30, 2012**

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Baltimore, Maryland 21201  
410-237-5683**

This Brochure provides information about the qualifications and business practices of PNC Realty Investors, Inc. If you have any questions about the contents of this brochure, please contact us at 410-237-5683. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about PNC Realty Investors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

No material changes were made to this Brochure since the last annual update filed in March 2011.

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## **Item 4. Advisory Business**

### The Company

PRI registered as an investment adviser with the SEC in 2006 as Mercantile Real Estate Advisors, Inc. The Firm was acquired by The PNC Financial Services Group, Inc. (“PNC”) in March 2007, changed its name to “PNC Realty Investors, Inc.”, and is now a wholly owned subsidiary of PNC Holding, LLC, which in turn is owned by PNC.

### Investment Services

PRI primarily provides real estate investment advisory and management services to institutional clients regarding commercial real estate. Currently, PRI provides such services, as well as administrative support services, solely to PNC Bank, National Association (“PNC Bank” or “Trustee”), trustee to the AFL-CIO Building Investment Trust (the “BIT” or the “Trust”). The BIT is a bank collective trust which is comprised of qualified pension and retirement plans. Pursuant to an investment advisory agreement with PNC Bank, and subject to the policies and investment objectives of the BIT, PRI advises and assists the Trustee in connection with BIT investments in, and management of, core commercial real estate developments and acquisitions located throughout the United States. More specifically, PRI is responsible for, among other things, identifying and sourcing prospective commercial real estate transactions, evaluating those transactions, performing due diligence of the transactions, recommending to PNC Bank potential investments for the BIT, and managing the existing investments and assets of the BIT. From time to time, PRI assists the Trustee in marketing the BIT to potential and existing BIT investors. These services include, but are not limited to, providing information to respond to requests for proposals, providing portfolio information and performance results, and furnishing statistical and research data. PRI also assists the Trustee in (1) providing information to respond investors’ requests; (2) responding to questions from existing or potential BIT investors; (3) reporting to investors and their consultants; (4) preparing federal and state tax returns; and (5) performing other services as agreed by the parties from time to time. In addition, PRI currently provides to the Trustee non-discretionary investment advice regarding the investment of cash of the Trust in accounts and/or in short-term investment vehicles which may include money markets, mutual funds and other short-term investment vehicles permissible under Trust documents. PRI uses its knowledge of real estate to build and manage a portfolio of diversified, well-leased and well-located core assets.

Pursuant to the investment advisory agreement with PNC Bank, PRI has limited discretion in connection with investments of the BIT. PNC Bank at all times retains ultimate responsibility for the management and investments of the BIT. As of December 31, 2011, PRI had approximately \$2.24 billion of assets under management.

In the future PRI may provide similar services to other clients subject to any applicable policies and objectives for such clients. PRI may provide to new or existing clients services similar or additional to those discussed above.

## **Item 5. Fees & Compensation**

In its capacity as an investment adviser, PRI is entitled to fees that are determined by mutual agreement between the client and PRI. Pursuant to an investment advisory agreement with its sole client, PNC Bank, PRI currently earns an annual fee of .60% (or .15% per quarter) which is paid quarterly in arrears. The fee is calculated based on the net asset value of the assets PRI manages on behalf of PNC Bank on the last day of each quarter. Fees may be prorated for any assets bought or sold during the quarter. The fee is paid by PNC Bank and is not paid from the assets of the BIT. Expenses incurred by PRI in performing certain services for PNC Bank in connection with the BIT are reimbursed from the assets of the BIT, as permitted under the trust agreement and documents for the BIT.

The Trustee currently pays from assets of the BIT certain expenses of the BIT including but not limited to fees and expenses incurred in connection with a proposed or actual acquisition, disposition and ownership of real estate investments and costs related to the maintenance or servicing of real estate investments or other BIT assets.

Neither PRI nor its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges, 12b-1 or service fees from the sale of mutual funds.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

PRI currently is not paid performance-based or acquisition fees.

## **Item 7. Types of Clients**

PRI provides investment supervisory services solely to institutional clients and investors in connection with investments in commercial real estate throughout the United States. Currently, PRI provides investment advisory and management services solely to PNC Bank, a bank organized under the laws of the United States, in connection with the BIT, a bank collective trust comprised of qualified pension and retirement plans. The organizational documents of the BIT and future clients of PRI may require, upon initial investment, a minimum dollar amount that its investors have to contribute to invest in the trust or fund.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

The purpose of the Trust is to invest in real estate investments meeting the Trust's investment criteria and objectives. In selecting real estate investments, one of the Trust's principal objectives is to generate competitive risk-adjusted returns by investing in real estate investments that have the potential to offer the Trust current cash return, long-term capital appreciation, or both.

### Methods of Analysis and Investment Strategies

PRI performs an analysis in connection with each real estate investment or project. The analysis performed requires both quantitative and qualitative studies. The analysis may vary depending on the nature, type and stage of the investment.

Information used in the analysis of real estate investments includes due diligence items generally reviewed in the industry as applicable to the type of property and project. Such items include the review of: (i) independent market studies, which include a review of market demand, surveys of the existing and to be built inventory, vacancy rates, rents and operating costs of similar properties in the market area; (ii) property management information, including applicable property management agreements, experience, and bonding information; (iii) information related to the project or property such as site inspections, plans, surveys, purchase documentation, tenant documentation, and applicable zoning requirements; (iv) construction budgets, contracts, and contractors; (v) appraisals of the value of the property; (vi) financial data such as interest rates, debt service coverage, cash; (vii) developer's credit history, financial condition, and experience; (viii) legal documentation; (ix) third party reports such as environmental site assessments, engineers' inspections and physical needs assessments; (x) architectural information; (xi) insurance requirements and coverage; (xii) guaranties; and (xiii) such other factors or studies which may become necessary in the course of the analysis. PRI will analyze and perform due diligence on potential and existing real estate transactions with the intent to protect against risks inherent in commercial real estate investment.

The analysis and advice provided by PRI also is subject to the applicable plan documents, investment policies, objectives and guidelines of its clients, and regulatory requirements, including the Employee Retirement Income Security Act of 1974, as amended.

Real estate investments for which PRI provides services include equity investments, debt investments and/or mortgage financing and other forms of direct or indirect real estate investment. Equity investments for which the services of PRI generally have been retained do not constitute securities under applicable law and/or constitute private placements that are exempt from securities registration. Future investments in real estate, however, may constitute securities, if permitted under applicable plan documents and law.

As for any advice rendered by PRI regarding the investment of cash in accounts or short-term investment vehicles, PRI will review and analyze, among other things, the fees, projected return and rates, and risks associated with any such investment. In its review and analysis, PRI may use materials and information provided by third parties, annual reports, prospectuses, filings, corporate ratings and other applicable information.

### Risk of Loss

Investing in real estate investments involves risk of loss that clients should be prepared to bear.

The real estate investments that the Trust acquires will be subject to risks customarily associated with the ownership of income-producing real estate in the case of equity investments and will be subject to risks customarily associated with the risks of mortgage lending secured by income-producing real estate in the case of mortgage investments. In addition, real estate investments tend to be long term investments and illiquid, and are affected by changing economic, demographic, financial, investment and legal conditions, as well as other factors.

## **Item 9. Disciplinary History**

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 Firm or the integrity of the Firm's management in this item. PRI has no legal or disciplinary events to report.<sup>1</sup>

## **Item 10. Other Financial Industry Activities & Affiliations**

### Affiliations

PRI is affiliated with a number of other investment advisers and registered broker-dealers through PNC:

#### *PNC Investments LLC*

PNC Investments LLC ("PNC Investments"), a wholly owned subsidiary of PNC Bank, is a registered broker-dealer and investment adviser which provides full service brokerage and wraps fee programs to its clients.

#### *PNC Capital Advisors LLC*

PNC Capital Advisors LLC ("PNC Capital"), a wholly owned subsidiary of PNC Bank, provides discretionary investment advisory services to registered investment companies, institutional accounts, and personal investment management accounts.

#### *PNC Capital Markets, LLC*

PNC Capital Markets, LLC, an indirect, wholly owned subsidiary of PNC, offers loan syndication, public finance underwriting and advisory services, securities underwriting and trading, private placements, asset securitizations and merger and acquisition advisory services.

#### *Harris Williams LLC*

Harris Williams LLC, a subsidiary of PNC, is an acquisitions advisory firms focused exclusively on the middle market.

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<sup>1</sup> We note that registered advisers are required to report all disciplinary events regardless of whether they are material in Part 1A of Form ADV. PRI has no disciplinary events of any kind to report.

*BlackRock Inc.*

BlackRock Inc. (“BlackRock”), a publicly traded investment management firm, manages assets on behalf of institutions and individuals worldwide through a variety of equity and balanced, fixed income, cash management and alternative investment products. PNC owns approximately 20% of BlackRock, and PNC Investments is indirectly affiliated with a significant number of BlackRock investment adviser and broker-dealer subsidiaries.<sup>2</sup>

*PNC Insurance Services LLC*

PNC Insurance Services LLC, a wholly owned subsidiary of PNC Bank and a licensed insurance agency, provides a variety of insurance products and advice.

PRI believes that these affiliations do not cause any material conflicts of interest in connection with the services PRI performs. PRI, PNC Bank and PNC will manage any conflicts in accordance with applicable law and through internal policies and procedures.

PRI and PNC Bank

Both PRI and PNC Bank, the trustee for the BIT, indirectly are owned by PNC. In addition, some employees and officers of PRI may also be employees of PNC Bank. The fees earned by PRI for the performance of services to PNC Bank in connection with the BIT are paid from PNC Bank, and not from the assets of the BIT.

In its capacity as Trustee for the BIT, PNC Bank is responsible for all aspects of the management and administration of the BIT. While PNC has delegated certain investment management services and discretion to PRI pursuant to mutual agreement, PNC Bank retains full responsibility for the investment and management of the BIT. PNC Bank can limit at any time the discretion and services of PRI.

Currently, PNC Bank uses an investment committee to manage the BIT. The investment committee is comprised of senior officers of PNC Bank and/or PNC affiliates and one outside consultant. The voting members of such investment committee do not include PRI employees or officers.

The PRI Investment Committee manages and recommends investments and is comprised of officers and directors of PRI.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

PRI has adopted policies and procedures including, but not limited to, a Policy for Investment Advisory and Asset Management Services, a Personal Trading and Investing Code of Ethics (the “Code”), in order to avoid conflicts of interest. The Code is designed

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<sup>2</sup> Those subsidiaries include BlackRock Realty Advisors, BlackRock Advisors LLC, BlackRock Financial Management, Inc., BlackRock International, Limited, BlackRock Capital Management, Inc., BlackRock Investments, Inc., BlackRock Investment Management LLC, BlackRock Capital Markets LLC, BlackRock Fund Advisors, BlackRock Execution, BlackRock Fund Distribution and BlackRock Kelso Capital Advisors.



to prevent PRI personnel from personally benefiting from existing investments managed by PRI or investments that are under consideration by, or which have been made by, PRI. For instance, PRI policies preclude any of its staff from investing in deals currently under consideration or recently invested in, without prior approval by senior management which would only be permitted for rare exceptions permitted under PRI policies and subject to applicable law. A copy of PRI's Code will be provided to any client or prospective client upon request.

PRI employees are also subject to applicable policies of PNC, including but not limited to the PNC Employee Conduct Policies which covers matters including compliance with law, conflicts of interest, insider trading, outside activities and safeguarding confidential information.

## **Item 12. Brokerage Practices**

At this time PRI generally provides investment advisory or management services regarding commercial real estate transactions that generally are not securities or are securities exempt from securities registration.

PRI does not recommend brokers or dealers, or have control over commissions paid, in the context of traded securities. However, PRI may recommend to its clients, or retain on behalf of clients, certain licensed, real estate brokers at fees negotiated by PRI, for leasing, sales, purchases and similar activities. In addition, on limited occasions, PRI has retained certain licensed brokers in connection with the sale of a note.

PRI does not directly or indirectly earn any fee in connection with the selection of any broker on a client's behalf.

## **Item 13. Review of Accounts**

PRI and its portfolio managers review the portfolios of its clients on an ongoing basis. The process generally includes a review of specific investments held, the asset mix of the portfolio, the availability of cash for investment, the performance of the portfolio, and major market and economic developments and their effect on the portfolio. Portfolio managers, investment officers and their research teams meet weekly or as necessary to discuss market developments, economic outlooks, and review individual investments.

The existing client's portfolio of assets is reviewed quarterly by the applicable investment committees of PRI and the Trustee to review and determine, among other things: (1) the performance of the portfolio as compared to applicable benchmarks; (2) how well the portfolio meets the investment objectives of the BIT; (3) whether the portfolio's investments are appropriate in the context of the investment and strategic policies and objectives; and (4) whether each portfolio is in compliance with established investment restrictions and guidelines. PRI's investment committee meets at least monthly and more frequently as necessary.

## **Item 14. Client Referrals and Other Compensation**

PRI does not receive an economic benefit from anyone other than its client, PNC Bank, for providing investment advice, administrative or management services.

PRI may enter into written agreements with affiliated and third party solicitors to refer potential clients to the Firm.

## **Item 15. Custody**

PRI currently does not provide custodial services to its client. Client funds and securities are held with the trustee, banks or registered broker-dealers that are “qualified custodians”. These may include PNC Bank and other affiliates of PNC.

Quarterly statements are sent to investors by PNC Bank in connection with the BIT. The BIT is audited annually by an independent accounting firm.

## **Item 16. Investment Discretion**

PRI has been delegated certain discretion over the investments in the BIT. Such discretion has been set forth in, and limited by, the provisions of the investment advisory agreement between PRI and PNC Bank.

## **Item 17. Voting Client Securities**

PRI currently has no authority to vote proxies on behalf of its clients or their assets. Accordingly, PRI does not have a proxy voting policy or procedure at this time. If and when necessary, PRI will prepare applicable proxy voting policies and procedures.

## **Item 18. Financial Information**

In certain circumstances, registered investment advisers are required in this Item 18 to provide to you financial information or disclosures about their financial condition. PRI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.