TO: The Employee Retirement System of Rhode Island and the Other Pension Employee Benefits Plan
FROM: Meketa Investment Group
DATE: May 15, 2023
RE: Berkeley Partners Value Industrial Fund VI, L.P.

On behalf of The Rhode Island Employees Retirement Systems Pooled Trust ("ERSRI") along with The Rhode Island OPEB System Trust ("OPEB"), (collectively, the "Plans"), Meketa Investment Group ("Meketa") has conducted due diligence on Berkeley Partners Value Industrial Fund VI (the "Fund" or "Fund VI") and its sponsor, Berkeley Partners ("Berkeley" or the "Firm"). The opportunity is being considered as part of the Plans' Non-Core real estate allocation, within the Private Growth class. The Fund's value-add risk profile and light industrial sector focus support the objective of diversifying ERSRI's non-core holdings with sectors driven by favorable fundamentals and demographic trends. Based on the Plans' investment strategies, the merits of the Fund, and the information provided in this summary, Meketa is of the opinion that an investment in the Fund is a prudent investment opportunity for the Plans. Meketa's opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered tax, legal, or transaction-structuring advice. In making any investment decision with respect to this Fund, the Plans may rely on this report but must also make their own examination and assessment of the Fund, including the terms of the offering, the merits, and the risks involved.

Investment Overview

Berkeley Partners Value Industrial Fund VI is a closed-end, value-add fund targeting light industrial properties in infill markets across the United States. Fund VI targets a three to seven year hold period for each asset and an overall net levered IRR of between 11% and 14%. The Fund may incur indebtedness up to 65% loan-to-value at the fund level.

Organization

Berkeley Partners is a vertically integrated investment firm that focuses exclusively on light industrial real estate within the United States. The Firm was founded in 2005 by Managing Partner Aaron Snegg, alongside Norman Villarina and Doug Wertheimer of Industry Capital Holdings, who provided initial funding to support the Firm's establishment. Aaron Snegg continues to lead the Firm and its team of over 50 employees, inclusive of BP Property Management, Berkeley's affiliated property management company, which equips the Firm with in-house leasing, facilities maintenance, construction management, and property management capabilities. Mr. Snegg is supported by a management team of three additional Partners: Chief Investment Officer Matthew Novak, Chief Financial Officer Bahaar Sidhu, and Partner Andrew Holmberg, together comprising the Investment Committee. The team is based out of Berkeley's three corporate offices in Oakland, CA, Dallas, TX, and Boston, MA, in addition to regional property management presence in several of the Firm's target markets. Since its inception, Berkeley has acquired 234 properties, representing 21.7 million in square feet, and has approximately $2.2 billion in AUM as of December 31, 2022, through its value-add fund series and core separate accounts, both of which are dedicated to the light industrial sector. Berkeley launched its flagship series in conjunction with the formation of the Firm, with Fund III representing the first institutional vehicle of the series.

Value Industrial Fund VI Strategy

The Fund will execute a value-added strategy focused on acquiring light industrial real estate assets across the United States. The Fund will target infill properties ranging from 50,000 to 250,000 square feet, that generally maintain the following characteristics: ample tenant parking; multiple grade-level or dock doors; ceiling clearance heights from 18 feet to over 30 feet; a small office area and restrooms in each unit; and good circulation for trucks and cars. The average unit will comprise approximately 80% to 95% warehouse space and 5% to 20% office space. Berkeley will invest in both single- and multi-tenant assets, prioritizing diversification of tenant exposure, including medium-sized businesses serving local and regional markets, as well as national credit tenants. Further, the tenant mix will provide exposure to a variety of industries, as Berkeley also looks to source occupants who may capitalize on the trends of each respective geographic region. Rental space will typically range between 2,000 and 150,000 square feet per tenant with lease terms spanning from three to seven years. Post-acquisition, the Fund will implement various value creation initiatives, including lease-up strategies, light-to-heavy repositioning, and development, which may comprise up to 20% of commitments, although Berkeley expects to be well below such constraint for Fund VI.

Geographically, Fund VI will invest in infill locations that are close to urban centers, housing, and transportation corridors across major regional markets and submarkets in the United States. The Fund will seek fully developed areas with scarcity of land, combined with growing demand, therefore allowing for rental rate premiums and lower long-run levels of new supply. Fund VI will target the following markets: Atlanta, Austin, Boston, Dallas-Fort Worth, Denver, Nashville, Philadelphia, Phoenix, Salt Lake City, San Antonio, San Francisco, Seattle, South Florida, Southern California, and Washington, D.C. Berkeley has executed investments in each of these markets through prior vehicles.

The Fund will seek 25 to 40 assets with a purchase price of between $5 million and $50 million. Berkeley will be the sole investor in the large majority of deals but may pursue select joint venture partnerships, particularly for development, in which Berkeley will maintain a controlling interest. Fund VI is targeting a gross levered IRR of 14% to 18% and net levered IRR of 11% to 14%, primarily driven by appreciation with 30% to 40% of gross returns expected to be from income.

Status and Terms

Berkeley plans to hold its first close for Fund VI in June 2023 and anticipates over $100 million in commitments towards its $400 million target ($500 million hard cap). The General Partner will commit 2.0%, up to $5 million, to the Fund. The management fee is 1.50% of commitments during the Investment Period and 1.50% of invested capital thereafter. The Fund has an 8% preferred return, a 20% carried interest structure, and a 50% / 50% catch-up provision calculated on a whole-fund basis, which are in line with market standards. Berkeley will receive fee income through services performed by its affiliate BP Property Management which exclusively supports the Berkeley platform for leasing, construction management, and property management. Property management fees paid to BP Property Management are in lieu of fees that would otherwise be paid to a third-party property management company.

Fund Performance

Berkeley Partners Track Record
As of December 31, 2022

Fund	Vintage Year	Invested ($M)	Realized Value ($M)	Total Value ($M)	Net Multiple (X)	Top Quartile[1] (X)	Net IRR (%)	Top Quartile[1] (%)	Median[1] (%)
Value-add Series									
Fund I	2005	25.2	25.3	25.3	1.0	1.5	0.0	9.0	3.3
Fund II	2007	1.3	3.0	3.0	2.2	1.6	12.7	12.7	7.4
Fund III	2013	111.4	174.4	174.4	1.6	1.8	18.1	24.8	17.0
Fund IV	2016	274.3	433.1	434.0	1.6	1.6	17.4	22.0	13.3
Fund V	2020	274.4	28.1	327.5	1.2	2.2	16.8	33.2	21.3

Since the launch of its first institutional vehicle in 2013, Berkeley's value-add track record has been solid and consistent, with Funds III through V generating high teens net returns. Importantly, Funds III (2013 vintage) and IV (2016 vintage) are fully realized and have generated median quartile returns with respect to the relative benchmark. In addition, Fund V has already exited six investments, generating a 52% realized net return and 1.9x net multiple on $41 million of invested capital. Furthermore, Berkeley has generated these returns using modest leverage in the mid to high 50% range, whereas many vintage peers employed a higher leverage strategy. It is our belief that Berkeley has demonstrated the ability to source, improve, and sell assets, and generate attractive risk-adjusted returns over an extended (albeit favorable) period of time.

[1] Preqin, Real Estate – Non-Core, North America, as of December 31, 2022.

Recommendation

Meketa recommends that a commitment of $20,000,000 should be considered for ERSRI and $600,000 for OPEB, as part of their non-core real estate portfolios. The Fund's value-add risk profile and property focus support the objective of diversifying ERSRI's non-core holdings by increasing exposure to the industrial sector, which is supported by favorable demand trends and owner pricing power. Overall, Fund VI's strategy is consistent with the role of non-core real estate within the Private Growth sections of the Plans.