MEMORANDUM

To: Employees' Retirement System of Rhode Island

From: Meketa Investment Group

Date: January 22, 2020

Re: Berkeley Partners Value Industrial Fund V, L.P.

On behalf of the Employees' Retirement System of Rhode Island (ERSRI), Meketa Investment Group has conducted due diligence on Berkeley Partners Value Industrial Fund V (the Fund or Fund V) and its sponsor Berkeley Partners, LLC (Berkeley). The opportunity is being considered as part of the non-core real estate portfolio. Based on ERSRI's investment strategy, 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 for the Employees' Retirement System of Rhode Island (ERSRI). Meketa's opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered as tax, legal or transaction-structuring advice. In making any investment decision with respect to this Fund, ERSRI may rely on this report but must also make its own examination and assessment of the Fund and the terms of the offering, including the merits and risks involved.

INVESTMENT OVERVIEW

The Berkeley Partners Fund V, LP is a single-strategy, value-added closed-end Fund targeting light industrial properties across the U.S.

ORGANIZATION

Based in San Francisco, Berkeley Partners is a real estate operating company exclusively focused on the light industrial sector. Since 2005, Berkeley Partners and its affiliates have sponsored a series of value add investment funds and core separate accounts dedicated to the light industrial sector. The Firm is wholly owned by Berkeley Partners Group, LLC. The principal owners of Berkeley Partners Group, LLC are Aaron Snegg, Matt Novak, Norman Villarina and Doug Wertheimer. Given the vertically integrated structure of the Firm's operations, a collaborative culture across teams is not only encouraged, but also viewed as necessary to effectively achieve the Firm's business initiatives. The Firm's team of employees is managed by eight professionals that average six years at Berkeley Partners. Berkeley Partners generally handles all aspects of its real estate investments in-house, including underwriting, leasing, construction, and property management. Property managers are located within each of the Firm's geographic clusters to give them direct control of their properties and collect real-time data. Berkeley Partners' offices are designed with open floor plans to encourage collaboration, and cross-functional meetings are scheduled regularly between different teams to ensure timely and effective communication. For example, the underwriting, asset management, and property management teams meet weekly with management to discuss the investment pipeline as well as pending transactions, as these events have implications across the different teams.

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FUND STRATEGY

Berkeley V will continue its value-added strategy focused on building a diversified portfolio of light industrial properties across the U.S. Berkeley will target light industrial properties that are generally around or below 200,000 square feet in size with a preference for buildings in and around urban core and in-fill locations, which tend to be older buildings constructed prior to 1990. The Fund will seek to acquire under-managed properties in targeted major regional markets with above average employment and population growth. Historically, Berkeley has focused on major Texas markets, the Southeast, West Coast, and North East. Berkeley focuses on cost basis at acquisition; targeting under-managed properties that can be purchased at a discount (40-70%) to the estimated replacement cost. During the underwriting and diligence process, the Sponsor creates a business plan for each property to identify value-add initiatives to move assets to stabilization. Berkeley actively adds value through leasing and repositioning, aggregating a critical mass of properties in a region/market, and adding institutional quality management to under-managed properties. Once the Sponsor enters a market, it will seek to build a critical mass of properties within that market to achieve economies of scale on the expense side, and scale on the revenue/lease-up side. The sponsor typically purchases, at a minimum, 100,000 square feet in any given market and subsequently establishes local, in-house trained property managers within each market. The majority of properties are managed in-house with an in-house property manager based in the region. The Firm historically has not done any new development, but may evaluate select development projects most likely be as an add-on to an existing acquisition. The Fund will seek to acquire 25 to 40 properties with purchase prices of $5 to $50 million, using no more than 65% leverage. The sellers of these assets are generally local/regional owners or the non-strategic assets of large institutions. The smaller transaction sizes and variety of tenants result in reduced institutional competition on the buy side. The Fund will be the sole investor in a property in the vast majority of instances. The Fund many pursue joint venture structures, in which case the Fund will be the control investor. Overall, the Fund will target a 13-16% gross IRR at the property-level and 11-13% net IRR at the Limited Partner-level over a holding period of three to seven years.

PERFORMANCE

As of June 30, 2019, the Berkeley has completed 134 investments and has $982.3 million of total assets under management in its light industrial real estate program. Berkeley Value Fund V is targeting an 11-13% net leveraged IRR.

TERMS

The management fee is an amount equal to 1.375% per annum of the capital committed during the investment period and 1.375% of net equity invested thereafter. The preferred return structure for the Fund is 8%. After investors have received their initial preferred return of 8% and a return of all invested capital, there is a 50% GP catch-up. Berkeley will receive 20% of all remaining profits. There is also an LP claw-back in place. The total partnership term is ten years, inclusive of a four-year commitment period, with two one-year extensions. The General Partner's commitment will be equal to approximately 2% of the total Fund size or $1.5 million.

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RECOMMENDATION

Meketa believes that Berkeley has performed well for ERSRI and recommends that an investment of $30-$35 million be considered in Fund V as part of the non-core real estate portfolio. This recommendation adds diversification and is consistent and in context with the existing investments and the role of non-core real estate within the Private Growth section of the total fund.

M E K E T A   P R I V A T E   M A R K E T S
100 LOWDER BROOK DRIVE SUITE 1100 WESTWOOD MA 02090
781 471 3500 fax 781 471 3411 www.meketagroup.com