



TO: The Employee Retirement System of Rhode Island and the Other Pension Employee Benefits Plan

FROM: Meketa Investment Group

DATE: November 1, 2024

RE: CBRE US Logistics Partners "USLP"

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 US Logistics Partners ("USLP" or the "Fund") and its sponsor, CBRE Investment Management ("CBRE," "CBRE IM," the "Firm," or the "Manager"). The opportunity is being considered as part of the Plans' core real estate allocation, within the Inflation Protection class. The Fund's core-plus risk profile and industrial sector focus supports the objective of diversifying ERSRI's core holdings with sectors benefiting from 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

CBRE USLP is a core-plus, open-end equity Fund targeting industrial investments within the United States. The Fund is targeting aggregate annual leveraged returns on invested equity of 9% to 11% gross and 8% to 10% net returns. USLP will target portfolio level leverage between 40% to 50% with a limit of 55% LTV at the fund level and 70% LTV at the asset level for individual acquisitions and development properties.

Organization

CBRE was founded in 1906 in San Francisco and has become one of the largest commercial real estate service providers in the US. It has evolved into a global real asset investment manager through several mergers and acquisitions, and eventually went public in 2003. The CBRE group is divided up into three focus areas: Advisory Services, Real Estate Investments, and Global Workplace Solutions. The Real Estate Investment division includes CBRE Investment Management ("CBRE IM") and the Trammell Crow Company (no longer affiliated with Crow Holdings of Dallas, TX). CBRE IM manages over \$147 billion of assets through its commingled direct private real estate, indirect private real estate, private infrastructure, real estate credit, and listed real asset offerings. The commingled real estate funds exhibit strategies that span geographies, risk-profile, and investment type.



CBRE Investment Management has over 30 offices in 20 countries around the world. The Firm's 1,125 employees are concentrated in three global areas: Americas (356); Europe, Middle East, and Africa (626); and Asia Pacific (143). CBRE IM is led by a global, 21-person executive leadership team, known as the Executive Committee ("EXCO"). The 10-person USLP Portfolio Management Team is dedicated to the Fund and responsible for all aspects of the Fund strategy, investments, performance, portfolio management, investor relations and capital raising. Mary Lang (Portfolio Manager) joined CBRE in 2021, from Prologis, to establish the USLP fund and lead portfolio management, acquisitions, dispositions, M&A integration, and development. Ryan Bandy (Deputy Portfolio Manager) joined CBRE in 2022, from Clarion's Lion Industrial Trust, to support Ms. Lang in the portfolio construction, performance, strategy, and reporting.

Fund Strategy

The open-ended Fund will employ a flexible core-plus risk return strategy that incorporates new development (to hold), value-add repositioning, and stabilized asset acquisitions. The Fund team will target investments in coastal markets within three main logistics asset categories: intermodal, distribution, and fulfillment. A key component of the Fund's strategy is to acquire or build modern logistics properties that meet the higher specifications required by tenants who are seeking supply chain efficiencies. As such, USLP is focused on newer buildings with ample power to support automated stacking and picking systems, and/or electric vehicle charging. Additionally, advancements in construction have allowed for increased flat slab flooring, which better accommodates robotic sorting and picking.

The gross investment size of the Fund's 40 current properties ranges from \$20 million to \$240 million, but with most in the \$50 million to \$150 million range. As of September 30, 2024, USLP's leverage level is 34%. The long-term target portfolio leverage is 40--50%. The Fund is targeting aggregate annual leveraged returns on invested equity of 9% to 11% gross and 8% to 10% net. USLP's long-term income yield target is 3-5%. However, as the Fund launched in late 2021, returns in the early years are expected to be weighted toward capital appreciation given the early focus on development. As such, there is the potential to capture strong near-term returns as these buildings are completed and leased. As the Fund matures from its current 25% development and 20% raw land weighting, to its long-term target allocation of 70% stabilized assets and 30% development, the income is expected to be the primary source of returns.

Existing Investments

USLP was formed in 2021 with a \$500 million seed allocation from CBRE's balance sheet. The Fund has raised over \$2.8 billion in capital. The current portfolio is in-line with sub-sector and geographic allocation targets, with a strategic focus on intermodal and fulfillment assets and a material, intentionally large concentration of assets on the West Coast. The current portfolio is composed of 12 development-to-core assets and 28 acquired industrial assets. The existing asset portfolio was 98.2%



leased as of June 30, 2024. Excluding development-to-core assets, the Fund only has three assets that have less than 100% occupancy. The Fund's operating asset portfolio is focused on durable income generation from investment-grade credit tenancy where 71.4% of the Fund's NOI comes from tenants with a credit rating ranging from AAA to BBB-. A sampling of current USLP tenants include Amazon, Maersk, Home Depot, Samsung and DHL.

Terms

CBRE has raised \$2.8 billion in capital for the open-ended Fund as of June 30, 2024. CBRE Group, Inc. has invested \$50 million of balance sheet capital and employees have invested almost \$2 million of personal wealth to the fund as of December 31, 2023.

The management fee is 1.30% of an investor's net asset value. CBRE is offering a 3-year, 10% fee discount to Meketa clients who commit capital before the end of 2024. The Fund has an 8% preferred return, 10% performance incentive fee structure with no catch-up provision. The incentive fees are calculated over a three-year rolling basis.

Fund Performance as of September 30, 2024

Fund	Year of First Investment	Number of Investments	Number of Properties	Invested Capital (\$M)	Realized Value (\$M)	Unrealized Value (\$M)	Total Value (\$M)
CBRE USLP	2021	40	67	2,887.0	92.4	3,156.1	3,248.5

	Quarter (%)	One Year (%)	Since Inception (%)
Total Gross Levered Return	2.7	2.2	14.7
Total Net Levered Return	2.2	2.0	11.6
Distribution Yield	0.4	1.7	2.6

	Quarter (%)	One Year (%)	Since Fund Inception (%)
USLP Property-Level Gross Unlevered Return	2.4	3.7	13.1



USLP Property-Level Gross Unlevered Income Return	0.5	2.0	2.4
USLP Property-Level Gross Unlevered Appreciation Return	1.9	1.7	10.5

As of September 30, 2024, CBRE U.S. Logistics Partners (“USLP”) has invested approximately \$2.9 billion across 40 investments. This vehicle remains relatively young to date. However, since inception, USLP has generated a 14.7% total gross levered return and a 2.6% distribution yield. Currently, the Fund’s loan-to-value ratio is 32%. The Firm anticipates that the Fund’s LTV will remain around 30% to 35% in the immediate future given the existing interest rate environment.

Recommendation

Meketa recommends a commitment of \$25 million from ERSRI, and \$2 million from OPEB, to CBRE USLP as part of the respective core real estate portfolios. The Fund’s core-plus risk profile and industrial focus support the objective of diversifying ERSRI’s core holdings with sectors benefiting from favorable demographic trends. The investment is consistent with the role of core real estate within the Inflation Protection section of the Plans’ portfolio.