



Employees' Retirement System of Rhode Island Real Estate Review

Presented by:

Pension Consulting Alliance, LLC

November 16, 2016



PCA

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ERSRI Real Estate Portfolio: Performance

Real Estate Portfolio Performance Detail – Net of Fees

Fund	Current Net Asset Value (\$)	2Q-16 Income (%)	2Q-16 Apprec. (%)	2Q-16 Total (%)	1-Year (%)	3-Year (%)	5-Year (%)
ERSRI Core Portfolio	<u>396,430,061</u>	<u>0.9</u>	<u>1.1</u>	<u>2.0</u>	<u>11.0</u>	<u>12.2</u>	<u>12.2</u>
AEW Core Property Trust	89,661,874	1.1	1.2	2.2	10.9	11.4	11.3
Heitman America Real Estate Trust	73,924,304	0.9	1.2	2.1	11.5	n/a	n/a
JP Morgan Strategic Property Fund	100,968,151	0.9	0.9	1.8	10.0	11.7	11.9
Morgan Stanley Prime Property Fund	58,763,133	0.9	1.5	2.4	11.4	13.6	13.9
Prudential PRISA	73,112,599	1.0	0.8	1.7	11.9	12.7	12.1
ERSRI Non-Core Portfolio	<u>111,550,091</u>	<u>1.1</u>	<u>1.7</u>	<u>2.9</u>	<u>17.3</u>	<u>16.1</u>	<u>12.3</u>
Crow Holdings Retail Fund	11,986,797	2.2	-0.1	2.1	n/a	n/a	n/a
Exeter Industrial Value Fund III	18,247,855	2.2	2.2	4.4	20.0	n/a	n/a
GEM Realty Fund V	25,802,455	0.8	2.4	3.2	23.3	n/a	n/a
IC Berkeley Partners III	15,101,639	-0.2	4.5	4.3	11.7	n/a	n/a
IC Berkeley Partners IV	2,932,214	n/a	n/a	n/a	n/a	n/a	n/a
JP Morgan Alternative Property Fund	189,400	-4.0	2.0	-2.0	2.4	3.7	9.4
Lone Star Real Estate Fund IV	6,763,509	0.6	4.3	4.9	n/a	n/a	n/a
Magna Hotel Fund III	1,745,654	3.5	-23.7	-20.2	-21.6	5.6	8.4
TriCon Capital Fund VII	1,319,598	-0.1	2.7	2.6	2.6	-13.3	-8.9
Waterton Fund XII	27,460,971	1.5	1.5	3.0	22.1	n/a	n/a
ERSRI Total Real Estate Portfolio	<u>507,980,152</u>	<u>1.0</u>	<u>1.2</u>	<u>2.2</u>	<u>12.0</u>	<u>12.6</u>	<u>11.7</u>
Net NFI-ODCE		<u>0.9</u>	<u>1.0</u>	<u>1.9</u>	<u>10.8</u>	<u>12.0</u>	<u>11.7</u>
Over or (Under) Performance				<u>0.3</u>	<u>1.2</u>	<u>0.6</u>	<u>0.0</u>

As of June 30, 2016

ERSRI Real Estate Portfolio: Capital Activity

Real Estate Portfolio Commitments and Returns on Funded Commitments

Partnership	Total Commitment (\$)	Funded Commitment (\$)	Unfunded Commitment (\$)	Total Distributions (\$)	Since Inception IRR (%)	Since Inception Multiple
Core						
AEW Core Property Trust ⁽¹⁾	60,000,000	60,000,000	0	10,480,447	12.7%	1.7
Heitman America Real Estate Trust	60,000,000	60,000,000	0	4,726,288	13.6%	1.2
JP Morgan Strategic Property Fund	75,000,000	75,000,000	0	22,218,543	6.2%	1.5
Morgan Stanley Prime Property Fund	35,000,000	35,000,000	0	18,186,006	7.1%	1.9
Prudential PRISA	50,000,000	50,000,000	0	15,937,240	5.1%	1.6
Non-Core						
Crow Holdings Retail Fund	24,000,000	11,861,234	12,138,766	0	n/a	n/a
Exeter Industrial Value Fund III	30,000,000	16,500,000	13,500,000	1,012,285	16.9%	1.2
GEM Realty Fund V	50,000,000	23,809,133	26,190,867	4,385,000	14.9%	1.2
GEM Realty Fund VI	20,000,000	0	20,000,000	0	n/a	n/a
IC Berkeley Partners III	18,000,000	16,038,326	1,961,674	4,361,760	22.4%	1.2
IC Berkeley Partners IV	30,000,000	3,087,000	26,913,000	0	n/a	n/a
JP Morgan Alternative Property Fund	20,000,000	20,000,000	0	14,727,125	-4.6%	0.7
Lone Star Real Estate Fund IV	24,260,817	6,723,540	17,537,277	0	n/a	n/a
Magna Hotel Fund III	4,000,000	3,403,043	596,957	4,413,302	16.8%	1.8
TriCon Capital Fund VII	15,000,000	14,571,533	428,467	3,692,644	-19.8%	0.3
Waterton Fund XII	35,000,000	23,644,184	11,355,816	1,772,825	26.0%	1.2
Total	550,260,817	419,637,993	130,622,824	105,913,465		

As of June 30, 2016

⁽¹⁾ An additional \$10 million was committed in the fourth quarter of 2016.

ERSRI Real Estate Portfolio: Vintage Year Exposure

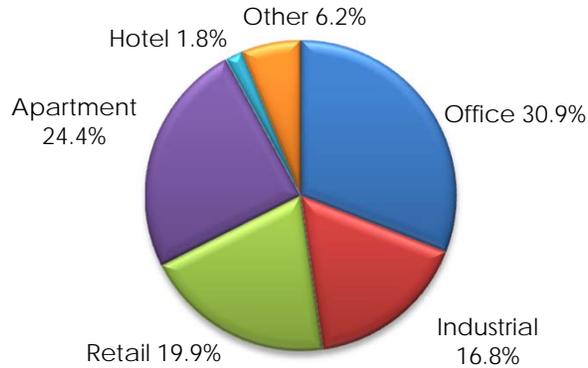
Vintage Year	Aggregate Commitments	Investments				
2008	\$4,000,000	Magna Hotel Fund III: <i>Hospitality investment, development & management</i>				
2009	\$25,000,000	AEW Core Property Trust: <i>Open-end diversified core fund</i>				
2013	\$205,000,000	AEW Core Property Trust	Heitman America Real Estate Trust: <i>Open-end diversified core fund</i>	JP Morgan Strategic Property Fund: <i>Open-end diversified core fund</i>	GEM Realty Fund V: <i>Debt & value-add properties</i>	Waterton Fund XII: <i>Value-add multifamily</i>
2014	\$48,000,000	Exeter Industrial Value Fund III: <i>Big-box warehouse & multi-tenant logistics</i>	IC Berkeley Partners III: <i>Multi-tenant industrial</i>			
2015	\$48,260,817	Lone Star Real Estate IV: <i>Global distressed commercial real estate & loans</i>	Crow Holdings Retail Fund: <i>Small neighborhood retail.</i>			
2016	\$60,000,000	IC Berkeley Partners IV: <i>Multi-tenant industrial</i>	GEM Realty Fund VI: <i>Debt & value-add properties</i>	AEW Core Property Trust ⁽¹⁾		

⁽¹⁾ An approximate \$10 million commitment was made in the fourth quarter of 2016.

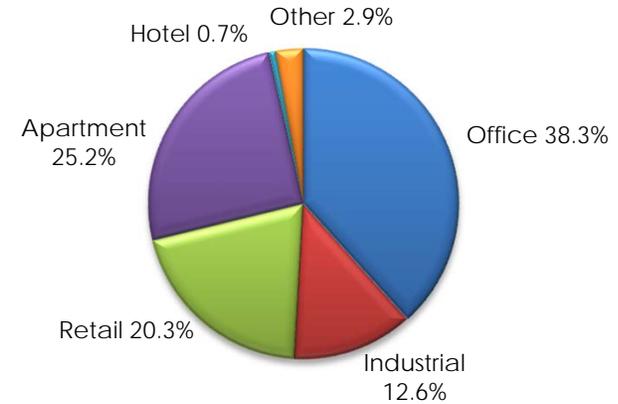
Core
Non-Core

ERSRI Real Estate Portfolio: Diversification

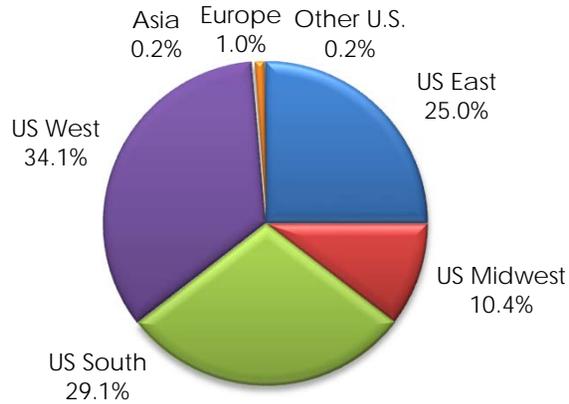
**ERSRI Portfolio
Property Sector Diversification**



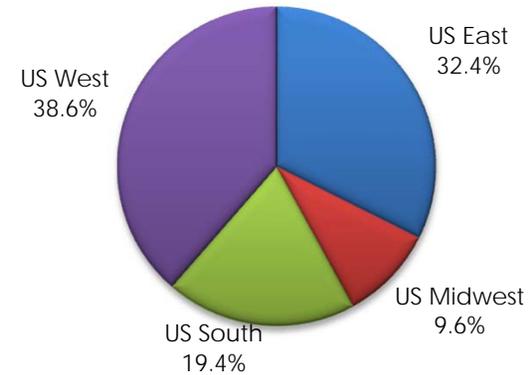
**NFI-ODCE
Property Sector Diversification**



**ERSRI Portfolio
Geographic Diversification**

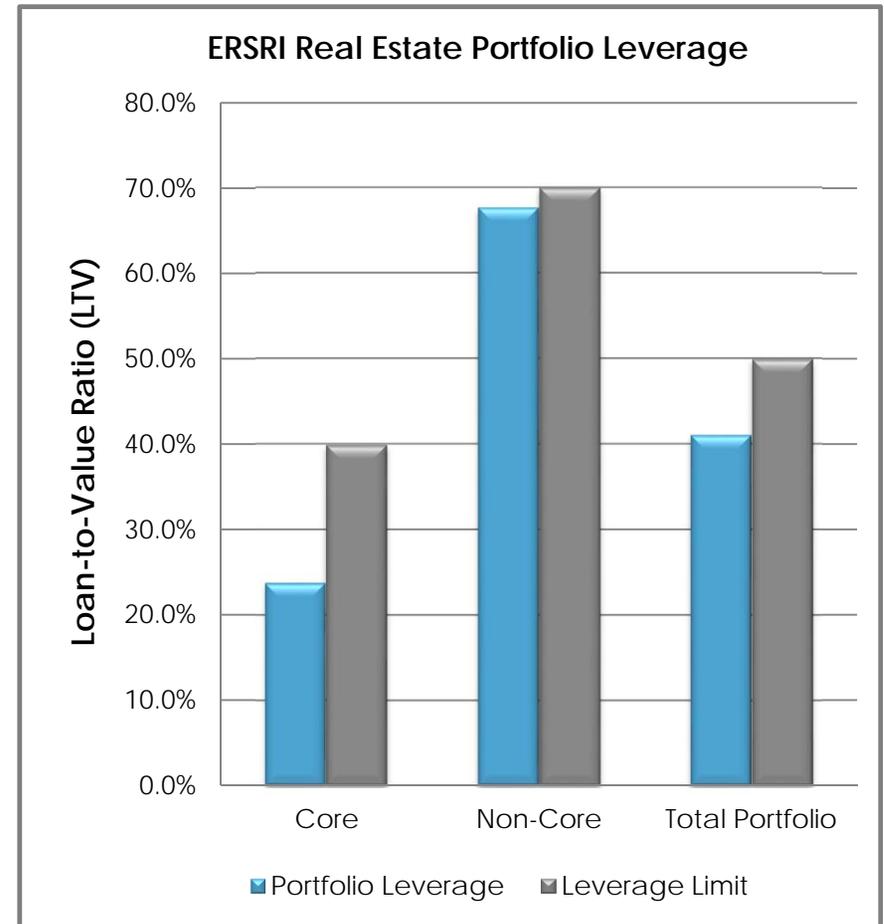
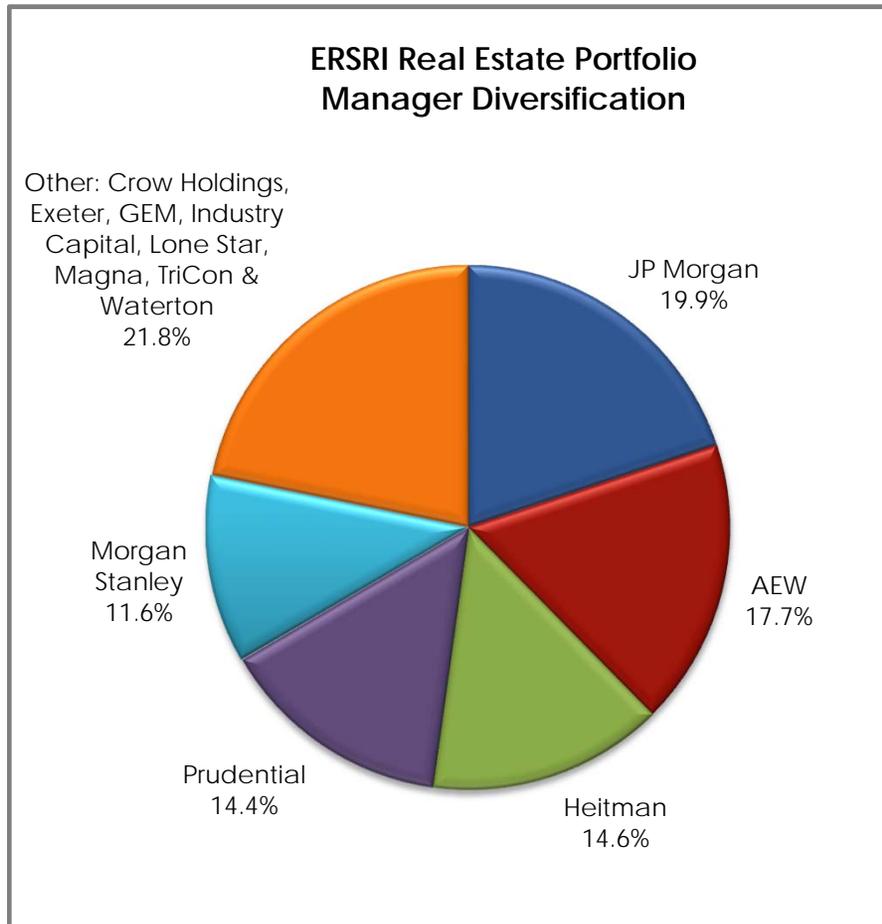


**NFI-ODCE
Geographic Diversification**



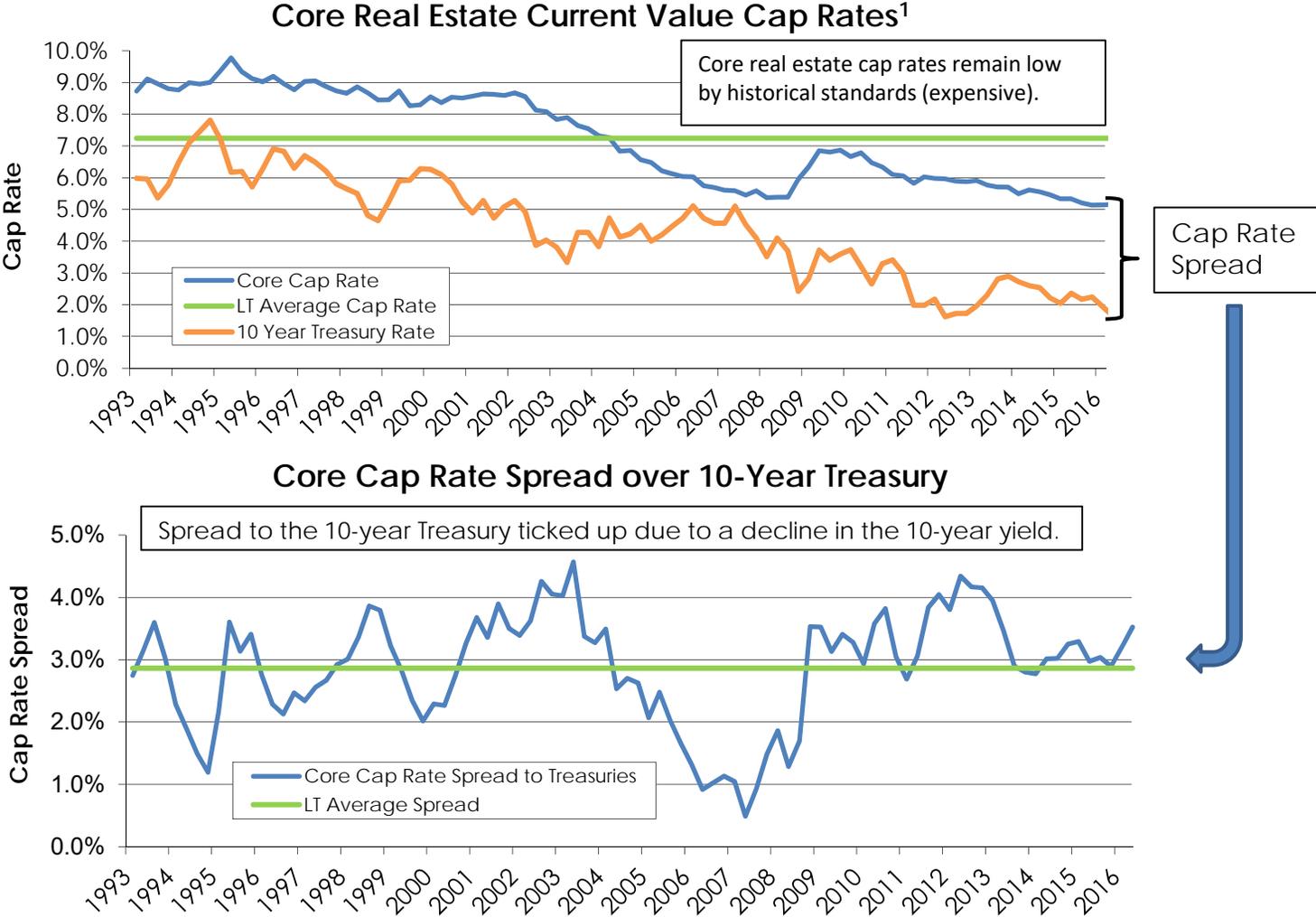
Sources: NCREIF; As of June 30, 2016

ERSRI Real Estate Portfolio: Other Characteristics



As of June 30, 2016

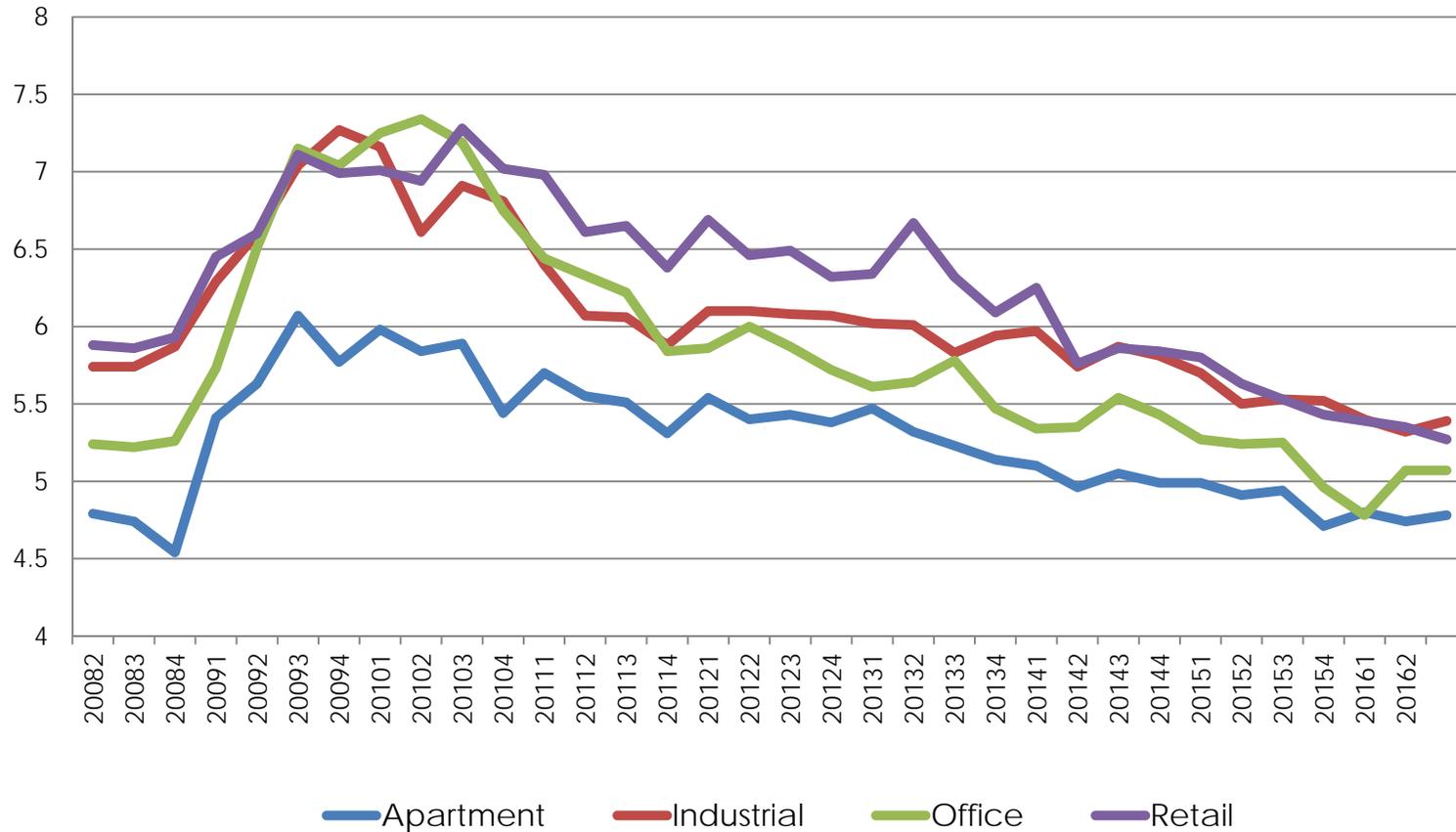
Market Dynamics: Core Cap Rates



¹A cap rate is the current annual income of the property divided by an estimate of the current value of the property. It is the current yield of the property. Low cap rates indicate high valuations. Sources: NCREIF, www.ustreas.gov

Market Dynamics: Property Type Cap Rates

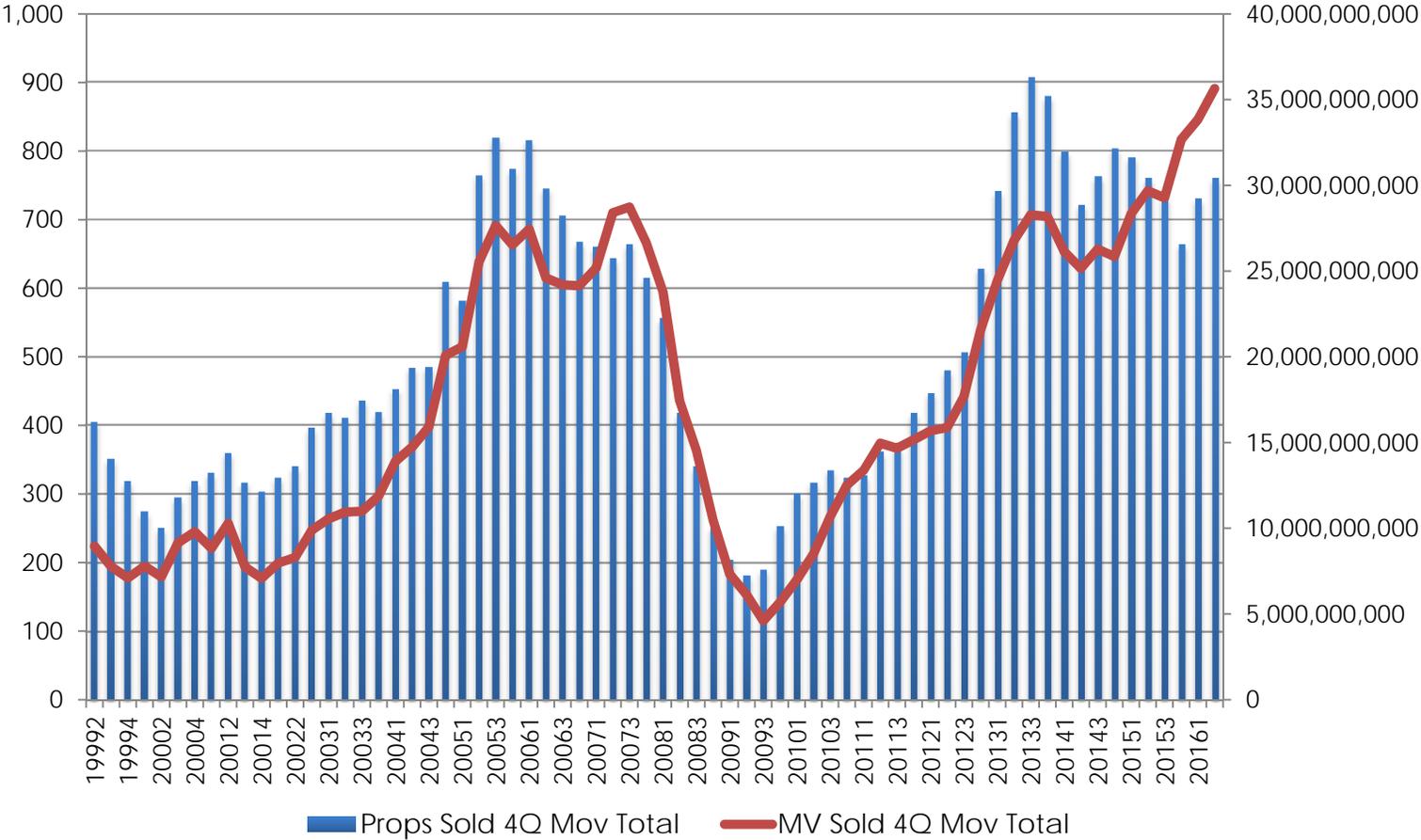
Current Value Cap Rates by Property Type



Source: NCREIF

Market Dynamics: Transaction Volume

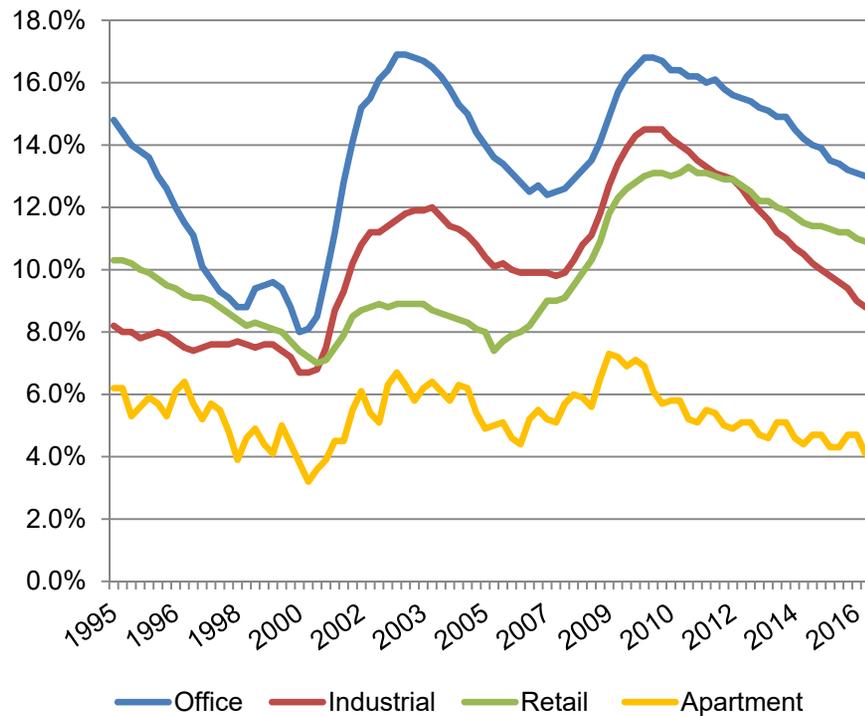
Property Sales Volume (Annualized)



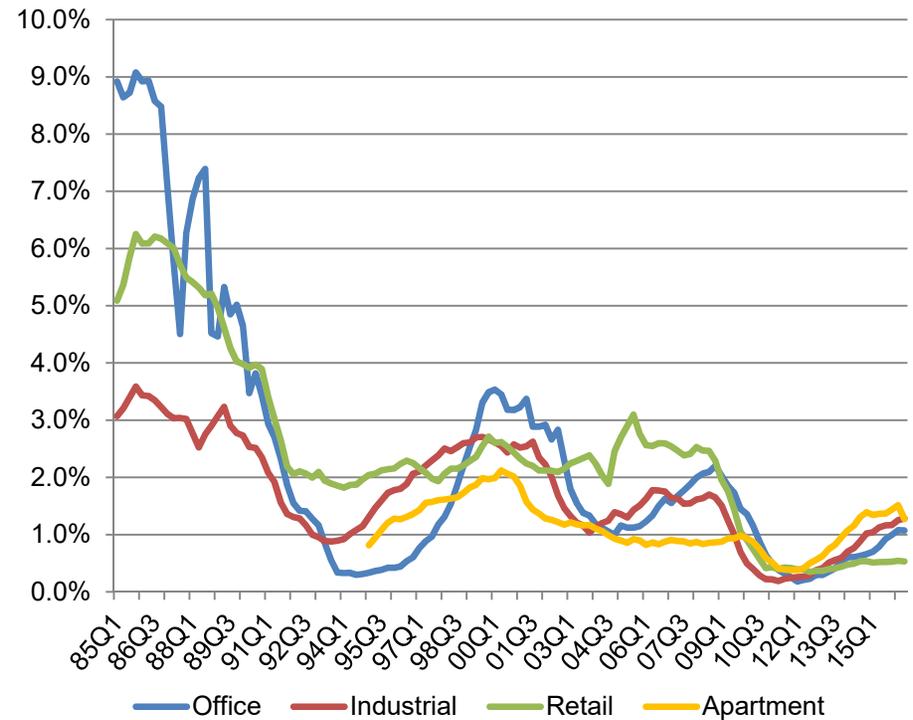
Source: NCREIF

Market Dynamics: Real Estate Fundamentals

U.S. Average Vacancy Rate



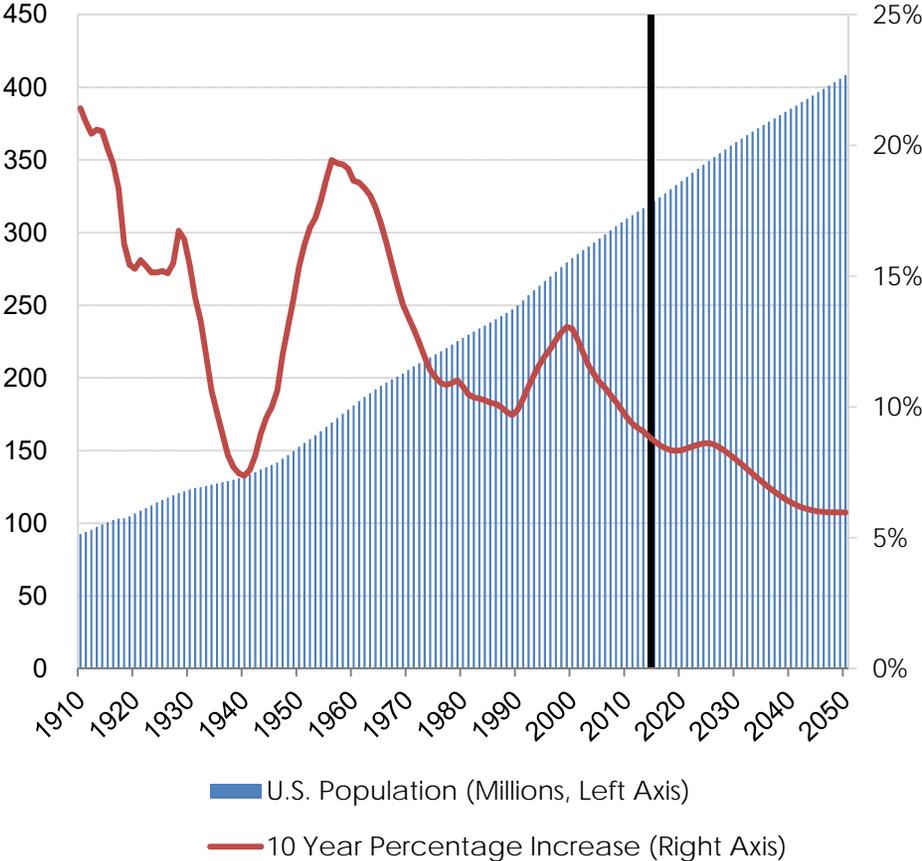
Additions to Stock Over Prior 4 Quarters as a Share of Total Stock



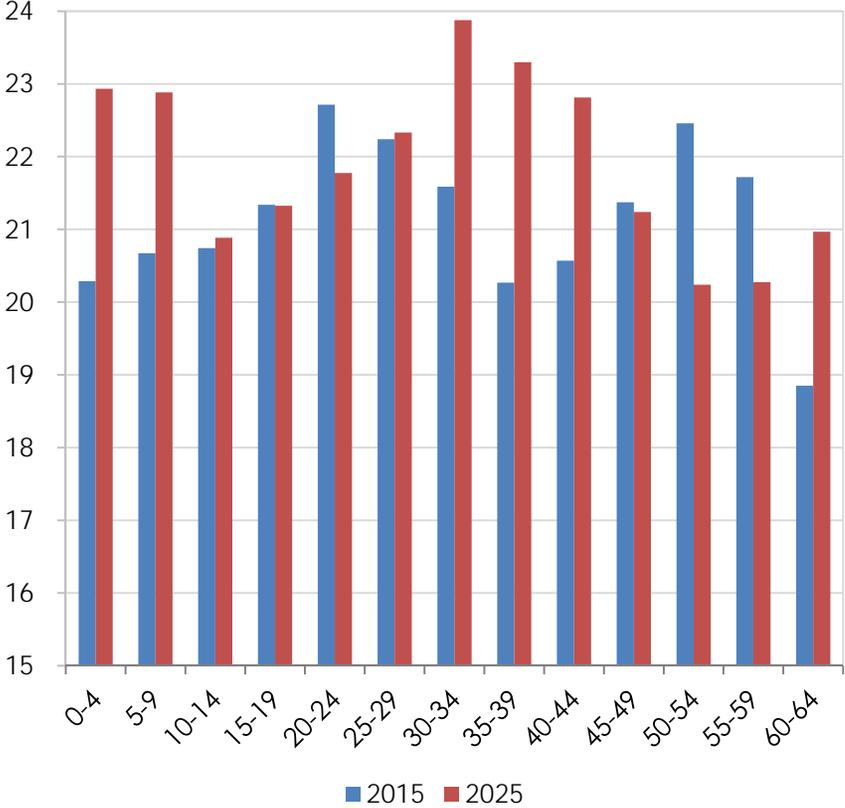
Source: AEW

Market Dynamics: Expected Population Growth

U.S. Expected Population Growth 2015-2050



U.S. Population by Five-Year Age Cohorts (millions)



Source: AEW

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