



# MEMORANDUM

**To: Employees' Retirement System of Rhode Island**  
**From: Meketa Investment Group**  
**Date: September 18, 2019**  
**Re: Exeter Industrial Value Fund V, L.P.**

Meketa Investment Group ("Meketa") has evaluated Exeter Industrial Value Fund V, L.P. (the "Fund" or "Fund V"). The Fund is being sponsored by Exeter Property Group ("Exeter", the "Firm", or the "General Partner"). Based on the merits of the Fund and the information provided throughout this summary, Meketa recommends an investment in Fund V. 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 the Fund, ERSRI may rely on this report but must also make its own examination and assessment of the opportunity as well as the terms of the offering, including the merits and risks involved. In 2017, the Employees' Retirement System of Rhode Island committed \$30 million to Exeter Industrial Value Fund III, L.P.

## **Investment Overview**

In line with predecessor vehicles, Fund V will execute a value-added strategy focused on industrial real estate assets, including big box warehouse, multi-tenant logistics, and related flex/office properties primarily throughout the U.S. Exeter offers a vertically integrated real estate platform with a long history of investing in industrial assets across the U.S. and a deep, experienced team with significant internal resources. The Firm has successfully executed its flagship U.S. value-add series across four prior funds with significant realizations to date.

## **Organization**

Founded in 2006, Exeter Property Group is a private investment firm focused on real estate opportunities across North America and Europe with current AUM of approximately \$7.0 billion. The Firm currently manages several products: U.S. and Europe value-add vehicles (including industrial and recent standalone office strategies), U.S. and Europe core vehicles, core separately managed accounts, and direct/co-investment vehicles. Exeter is headquartered in Conshohocken, PA (a suburb of Philadelphia) and has a team of 165 professionals located across 19 U.S. offices and 9 European offices.

One of the Firm's main competitive advantages is its decentralized, vertically integrated operator platform, through which acquisition, leasing, asset management, and property management functions are implemented out of each of its regional office locations. All investment activities, including acquisitions and dispositions, are ultimately approved out of the Firm's central Philadelphia office through weekly team meetings.



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## **Fund Strategy**

Fund V will seek to acquire big box warehouse, multi-tenant logistics (including last mile and light industrial warehouses), and related flex/office industrial (business park) properties primarily throughout the U.S. The Firm aims to identify opportunities that demonstrate compelling potential for value creation through re-tenanting, lease-up, and development or redevelopment initiatives. Target markets will include the Midwest, Mid-Atlantic, and Northeast, Texas (Houston, Dallas, and San Antonio), major e-commerce and airport freight hubs (such as Indiana, South Carolina, Louisville, Cincinnati, and Memphis), and other rapidly growing metropolitan areas (such as Phoenix, Orlando, San Francisco, and Los Angeles). Fund V will also consider investments in Canada and Mexico (up to 7% of overall exposure) on an opportunistic basis. The Fund expects to complete between 130 and 150 investments with average individual equity transactions ranging from \$5 million to \$25 million. The Fund will target an overall IRR of 13% to 14%, net of all fees and expenses, with leverage of up to 65% LTV, implying gross asset values ranging from \$15 million to \$75 million.

## **Performance**

Since inception, Exeter has deployed total equity capital of \$2.4 billion across 322 individual portfolio investments. Additionally, the platform has fully realized 220 portfolio investments to date which have collectively generated a gross IRR of 25.7% and a gross multiple of 1.9x. Exeter has displayed impressive performance over its history with returns for all four prior vehicles currently ranking in the top quartile (as reported by Cambridge Associates) while a low aggregate loss ratio (0.6%) demonstrates the Firm's ability to effectively limit downside risk through varying market environments and cycles.

## **Terms**

The proposed management fee is 1.5% of committed capital during the Investment Period and 1.5% of net invested capital thereafter. After investors have received a 9% annual compounded preferred return and a return of all invested capital on a portfolio basis, Exeter will receive a 50/50 catch-up provision before ultimately receiving 20% of the profits generated by Fund V. The investment period will be three years (subject to a one-year extension) while the partnership term will be eight years (subject to two consecutive one-year extensions). The General Partner's commitment will be equal to approximately 1% of aggregate commitments. Excluding the General Partner commitment, which falls below applicable market standards, the terms are generally in line with market standards and reasonable in Meketa's view.

## **Recommendation**

Meketa is of the opinion that a commitment of up to \$30 million to Fund V would be prudent for the Employees' Retirement System of Rhode Island.