
**SPIRE USA ROC OFFICE FUND I (AUD)**

ARSN: 623 620 440

**OVERVIEW, INVESTMENT OBJECTIVE & STRATEGY**

Spire USA ROC Office Fund I (AUD) ("the Fund") seeks to generate regular income and capital appreciation by investing in value-add US real estate. 'ROC' stands for Real estate Opportunity Capital. The Fund, which is the fifth in the Spire USA 'ROC' series, was established in April 2018 and acts as an unhedged Australian feeder fund into the assets of the underlying Bridge Office Fund I LP ("BOF I"); a Private Equity Real Estate underlying fund.

The Investment Manager for each underlying fund is Bridge Investment Group LLC. Bridge is a specialist US real estate funds manager with over US\$10 billion in assets under management. Bridge is headquartered in Salt Lake City, Utah, with offices in New York, San Francisco and Orlando. Over the last 23 years Bridge has invested, managed and sold several billion dollars of property assets across all segments of the market. Bridge has a strong operating and property management platform, comprising over 1,000 management, leasing and facilities employees across the 30 states in which assets are owned.

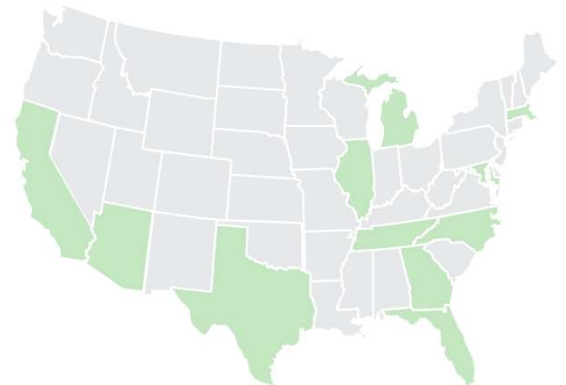
The underlying fund seeks to invest in real estate in select US local markets that have attractive growth characteristics, and to acquire assets that can be purchased at significant discounts to replacement cost, and are intended to be cash-flow positive, either immediately or after improvements. Bridge transform assets via a business plan that seeks to improve the physical asset, market repositioning, operational efficiency and/or capital structure.







BOF I is a US\$750 million (targeted committed equity) value-add "buy, fix, sell" fund, which will invest in value-add US commercial office properties. The targeted IRR on invested capital for BOF I is 14-16% net (USD denominated). BOF I held its first close of capital in July 2017 and has closed or has under contract current assets acquired at a total purchase price of US\$843.48 million.

**Underlying Bridge Office Program Assets at at June 2018**

Note all dollar amounts and target returns are US Dollar denominated.

	<u>Closed</u>	<u>Awarded</u>	<u>Total</u>
Total Markets:	13	1	13
Transactions:	5	1	6
Buildings:	21	5	26
Purchase Price:	591,975,000	251,500,000	843,475,000
Total Equity:	209,154,624	92,700,000	301,854,624
Target IRR:	21.3%	19.7%	20.7%
Target Equity Multiple:	1.88	2.22	1.98
Avg CoC:	10.6%	10.9%	10.7%



Closed					Awarded
One Concord Center	Tower 1320	Fountain Square	Piedmont Portfolio	Royal Centre II, III & IV	Buckhead
					

STATE	California	Texas	Florida	Various	Georgia	Georgia
MARKET	Bay Area	Dallas	Boca Raton	Various	Atlanta	Atlanta
INVESTMENT TYPE	Heavy Value-Add	Value-Add	Value-Add	Value-Add	Value-Add	Value-Add
# OF BLDGS	1	1	3	13	3	5
SF	358,589	243,109	241,759	2,274,663	634,487	1,040,327
PROPERTY TYPE	Tower	Tower	Portfolio	Portfolio	Portfolio	Portfolio
PURCHASE PRICE	70,450,000	27,500,000	54,500,000	332,525,000	107,000,000	251,500,000
TOTAL EQUITY	29,650,000	10,728,991	20,320,789	109,717,470	38,737,373	92,700,000
TARGET IRR	18.7%	19.0%	18.0%	23.1%	19.8%	19.7%
TARGET MULTIPLE	1.87	1.93	1.85	1.85	1.99	2.22
AVG CASH ON CASH	10.1%	9.1%	8.0%	11.3%	10.4%	10.9%

## THE PREDECESSOR FUNDS

Spire USA ROC Office Fund I (AUD) is the fourth fund in the 'US ROC' series investing into value-add US commercial office strategies via Spire's US real estate partner Bridge Investment Group.

Readers should note that the historical returns detailed below are US Dollar denominated and detail the performance of the underlying Bridge Investment Group predecessor funds investing in value-add commercial office properties.

### Warning - Past performance is not always a reliable indicator of future performance.

Dollar amounts are in US millions.

	Status	# of Office Buildings	Total Square Feet	Combined Office Purchase Price	Discount to Replacement Cost	Gross Office IRR <sup>1</sup>
<b>Real Estate Opportunity Capital Fund (renamed Bridge Multifamily Fund I)<sup>2</sup></b> <i>March 19, 2009 through December 31, 2016</i>	Realised	7	918,289	\$81.3	51%	29.0%
<b>Real Estate Opportunity Capital Fund II (renamed Bridge Multifamily Fund II)<sup>3</sup></b> <i>April 3, 2012 through September 30, 2017</i>	Realised & Unrealised	11	1,877,302	\$235.5	56%	20.1%
<b>Real Estate Opportunity Capital Fund III (renamed Bridge Multifamily Fund III)<sup>4</sup></b> <i>January 7, 2015 through September 30, 2017 Note: Fund still in deployment mode.</i>	Unrealised	39	4,147,400	\$792.6	48%	26.3%
<b>Total (weighted average)</b>		<b>57</b>	<b>6,942,991</b>	<b>\$1,109.4</b>	<b>51%</b>	<b>22.8%<sup>5</sup></b>

1. Internal Rate of Return on invested capital
2. No retail feeder fund was available for this fund as it was institutional only
3. Underlying Fund of Spire USA ROC II Fund (AUD)
4. Underlying Fund of Spire USA ROC III Fund (AUD)
5. Due to the fact that these office assets were acquired in separate funds which are in different stages of their investment cycle, and each fund applies certain expenses and performance fees at the overall fund level, net return information is not available for the office assets shown separately. IRRs are provided above on a gross basis (i.e., they do not reflect the management fees, performance fees, taxes (whether borne by investors or entities through which they participate in investments), broken-deal expenses, transaction costs and other expenses to be borne by investors in the Bridge Multifamily Funds I, II and III).

## HOW THE FUND INVESTS

The Investment Manager, Bridge Investment Group, is of the view that certain select US office markets are in the midst of an "opportunistic" point in the cycle. This means that the market is providing acquisition opportunities to generate higher than normalised returns as there are more sellers than buyers of a particular asset type. This asset type is commercial office property located in non-gateway, second tier cities, often in a suburban location, and are assets which have current or impending vacancies. These are markets in which the market rents relative to the cost of new construction, does not make new office development feasible, and as such have not seen new supply in many years. This means that the Investment Manager is able to acquire these assets at significant discounts, often in excess of 50%, to their replacement cost, proving a natural hedge against any threat of new supply in the market.

Typically these are properties that have languished in the commercial leasing market because they were owned by passive, distantly located, institutional investors. These owners have not re-invested in their assets to create the amenities and office space energy that business owners - seeking to appeal to millennial employees - are seeking today. Today it is all about creating a "Live, Work, Play" environment for tenants and their employees.

The Investment Manager has the experience, expertise and directly managed leasing teams and systems to create these refreshed office space environments, and re-lease the properties at higher rents and longer terms than were in place at purchase. This process then creates a re-stabilised property with good cash flow, which is expected to appeal when marketed for sale to a new, passive institutional investor.

Below is a partial summary of the investment characteristics that the Investment Manager will target. These are generally assets:

- with attractive valuations, acquired below current replacement cost (for example the previous 37 office assets acquired by funds managed by the Investment Manager were bought at an average of 53% below replacement cost – as estimated by the Investment Manager);

- with excellent fundamentals, providing opportunities to “add value” since they will typically feature at least two of the following: (1) deferred maintenance or physical obsolescence, (2) operational inefficiencies, (3) inappropriate capitalisation structures, and/ or (4) ineffective market positioning;
- located in submarkets offering above-average job and demand growth and below-average supply growth, with prospects to achieve: (1) higher local occupancy rates and rents, (2) positive cash flow immediately or soon after completing appropriate capital improvements or new financing structures, and (3) below-market in-place rents that can be rolled up to market, increasing net operating income; and
- offering the opportunity to invest between \$5 million and \$50 million of equity, a size considered by the Investment Manager to be the middle market “sweet spot” where competition from both large, national “financial buyers” and from more local “ad-hoc” buyers is reduced.

To evaluate and acquire targeted assets, the Investment Manager will: (1) thoroughly analyse, (2) directly and actively oversee, finance, construct, rehabilitate, lease, manage, improve and sell each portfolio investment in a way that unlocks or maximises its value to provide above-average returns for investors (i.e., “creates alpha”), and (3) prudently utilise lines of credit to help drive cash flow and returns.

**Creating Value**

A key value driver in the multifamily and office assets acquired by funds managed by the Investment Manager to date has been significant growth in net operating income. The Investment Manager attributes this to the execution of a hands-on business plan of renovating and repositioning poorly managed properties, driving tenant satisfaction and leasing at higher rents, combined with the Investment Manager’s ability to push down operating costs due to its market strength, size and experience in property management. The below chart illustrates the Investment Manager’s historical ability to drive above-market net operating income growth. Within an average hold period of 2.5 years, the Investment Manager has been able to grow net operating income by 74%, whereas market net operating income growth grew by only 7% during that same time period. Please note that past performance is not an indicator of future performance.

**HEAVY VALUE-ADD CASE STUDY: PARKWAY CENTER, ATLANTA, GA**

Note this an asset of Spire USA ROC III Fund (AUD) and is illustrative only. All amounts and returns are in US Dollars.

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**INVESTMENT HIGHLIGHTS**

**Asset Repositioning and Rehabilitation**

- New landscaping
- Enhanced entry
- Upgraded lighting
- New systems / HVAC
- Created “ready to lease” spaces
- Upgraded amenities / common areas

**Rebranding with Bridge Leasing, Marketing and Public Relations**

- Executed aggressive marketing plan
- Tightly targeted advertising and PR
- Community Involvement – Improvement Districts
- New Logo and Brand Identity
- Create presentation environment
- Broker awareness program

**Leasing Capabilities**

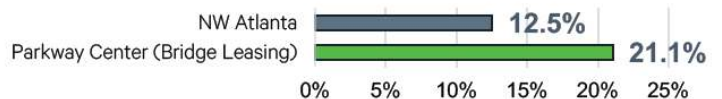
- Captured 33% of all submarket net absorption
- Increased occupancy from 54% to 96%
- Increased NOI from \$1.5 MM to \$5.3 MM

**INVESTMENT SUMMARY**

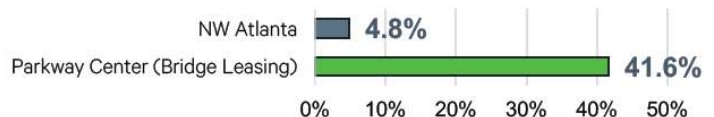
Asset Type:	Commercial Office
Location:	Atlanta, GA
Asset Size:	458,861 SF
Age of Construction:	1985/1988
Acquisition Date:	August 2014
Acquisition Price:	\$31,000,000
Total Equity Required:	\$12,300,000
Net IRR / Multiple:	31.8%/2.33x
Exit Cap Rate	8.75%
Year Sold	2017



**Rental Rate Increases for 2015-2016**



**Net Office Space Absorption for % of Class A Inventory 2015-2016**





<b>Fund Name &amp; APIR Code:</b>	Spire USA ROC Office Fund (AUD) - APIR ETL1567AU
<b>Product Disclosure Statement (PDS):</b>	<a href="#">Click to download</a>
<b>Fund Type:</b>	Retail closed ended fund
<b>Commencement:</b>	29 May 2018
<b>Zenith Research Rating:</b>	Recommended (click to download report)
<b>Fund Manager &amp; Distributor:</b>	Spire Capital Pty Limited
<b>Responsible Entity:</b>	Equity Trustees Limited
<b>Investment Manager:</b>	Bridge Investment Group LLC
<b>Applications:</b>	Units will be processed and issued daily during the capital raising period at the AUD equivalent of one US Dollar.
<b>Minimum Investment:</b>	\$50,000 if direct, no minimum if via IDPS
<b>Capital Raising Period:</b>	The capital raising period is expected to close on 18 December 2018, unless the Fund's allocation to the underlying funds has been capitalised prior to this date, in which case the Fund will close to applications earlier.
<b>NAV Unit Pricing:</b>	Net Asset Value (NAV) unit pricing will commence on a monthly basis following the capital raising period.
<b>Distribution Frequency:</b>	Annually as at 30 June
<b>Liquidity:</b>	Nil - Closed-ended fund
<b>Tax considerations:</b>	Unitholders are <b>not</b> required to file US tax returns nor provide a US IRS W8-BEN form. The Fund will invest into the assets of the underlying funds via a leveraged blocker subsidiary, which will elect to be taxed as a corporate for US tax purposes on its taxable income. Depreciation and other allowances, such as interest expenses, may be used to reduce US taxable income. US corporate tax paid by or withheld from this subsidiary is expected to generate a proportionate Foreign Income Tax Offsets (FITOs), which may be used by unitholders to offset Australian income tax liabilities on foreign sourced income or gains, including but not limited to returns from the Fund.
<b>Management Fees:</b>	0.60% per annum of Net Asset Value
<b>Fund Expenses:</b>	Anticipated to be 0.15% per annum of Net Asset Value
<b>Underlying Fees:</b>	Based on 2% of Committed Equity during the Investment Period(s) and 2% of invested equity thereafter.
<b>Performance Fee:</b>	Calculated within the underlying fund(s) on the basis of 20% of profits, subject to investors in the underlying funds receiving a minimum 8% IRR (annualised hurdle rate).

#### Important Information

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### Up to date information

Price, performance and other fund information is available at [www.spirecapital.com.au](http://www.spirecapital.com.au).  
Factsheets are updated regularly.

### Further information



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