SPIRE GLOBAL PRIVATE REAL ESTATE

# SPIRE USA ROC III FUND (AUD)

MONTHLY FACTSHEET – MAY 2020

## Monthly Update

Negatively affecting the unit price during the month of May was the net 2.18% decrease across the portfolio in the total book value of Bridge Multifamily III Investment assets recorded for Q1. Also negatively affecting the unit price during the month of May was the 1.39% increase in the value of the Australian dollar against the USD dollar from US$0.6547 to US$0.6638. The Fund does not hedge currency exposure.

The Unit Price reflects the Q1 Underlying Fund Net Asset Values as at 31 March 2020.

## Performance (Net of Fees)

*Ordinary Unit Class as at 31 May 2020*
*Based upon underlying fund data as at 31 March 2020*

| 1 month | 3 months | 1 year | 3 years (p.a) | 5 years (p.a) | Inception (p.a) |
|---|---|---|---|---|---|
| -3.35% | -0.62% | 16.91% | 16.80% | N/A | 10.89% |

| Unit Price as at 31 May 2020 | |
|---|---|
| Unit price (excluding FITOs) | $0.8653 |
| Est. FITOs | $0.0041 |
| Unit price plus est. FITOs | $0.8694 |

| Asset Allocation as at 31 May 2020 | |
|---|---|
| Cash AUD | 0.90% |
| Cash USD | 14.10% |
| Investments USD | 85.00% |

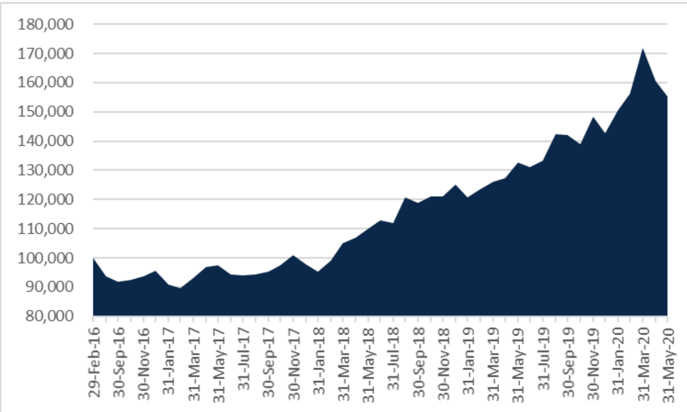
## Returns including FITOs* (Net of Fees)

| Since Inception Annualised (p.a) | Net excluding FITOs | Net including FITOs |
|---|---|---|
| 30 June 2019 | 8.43% | 8.85% |
| 30 June 2018 | 5.28% | 5.28% |
| 30 June 2017 | -4.15% | -4.15% |

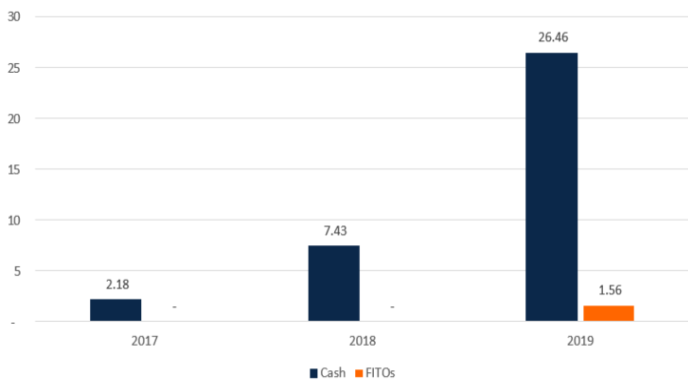
*Foreign income tax offsets

| Monthly Unit Price Movement Breakdown | |
|---|---|
| Underlying investments (incl. cash and distributions) | -2.09% |
| Foreign exchange | -1.19% |
| Fees and expenses | -0.07% |
| **Total Movement** | **-3.35%** |

## Growth of AU$100,000 Investment*




## Distribution CPU




*Past performance is not an indicator of future performance.*
**Performance and Growth table and chart are based on an investment made at the Fund's first issuance of units in March 2016 at $1.00 per unit and includes Unit Price growth from commencement of NAV based unit pricing following completion of capital raising in August 2016. Unit Price and performance do not include the value of Foreign Income Tax Offsets (FITOs) which have been accrued. Individual investor performance will vary according to the Issue Price at which they were issued Units in the Fund, which in turn was based upon the AUD / USD exchange rate applicable in the month in which an investment was made.*

## Fund Details

| | |
|---|---|
| **Fund Size (AUDm):** | $65.68m |
| **APIR Code:** | ETL0460AU |
| **Commencement:** | 18 March 2016 |
| **Zenith Research Rating:** | Highly Recommended (Original rating, now lapsed as closed) |
| **Unit Price:** | $0.8653 |
| **Distribution Frequency:** | Annually as at 30 June |
| **Application Status:** | CLOSED |

| | |
|---|---|
| **Fund Manager:** | Spire Capital Pty Limited |
| **Investment Manager:** | Bridge Investment Group, LLC |
| **Responsible Entity:** | Equity Trustees Limited |
| **Base Management Fee:** | 0.58% p.a. x NAV |
| **Underlying Fees:** | 2% of committed equity |
| **Underlying Performance Fee:** | 20% of realised profits after an 8% preferred return is paid to Limited Partners. |
| **Liquidity:** | Nil - Closed-ended fund |

## Q1 2020 Investor Letter from Bridge Investment Group

*Note: All dollar amount and performance returns quoted are US Dollar denominated.*

Thank you for your support of Bridge Multifamily III Funds (the “Fund” or the “Partnerships”). We are pleased to share with you the Quarterly Report for the period ending March 31, 2020.

### Observations on the Ongoing Impacts of COVID-19 on the Economy and Commercial Real Estate Markets

Traditionally, at each quarter end we report on conditions informing our investment decisions and investment activities from the preceding quarter. However, Bridge recognizes that in these extraordinary times, reporting on the present is equally important.

First and foremost, we want to highlight Bridge’s actions with respect to our constituencies: our residents, tenants and employees. Our employees are the Bridge family, and without these frontline heroes we would not enjoy our successes nor have the confidence in our ability to weather turbulent times. We have implemented best practices of working remotely, enhanced protocols around sanitization, social distancing and other safety measures. We have committed to all of our employees that there will be no layoffs or terminations due to the COVID-19 pandemic and that all Bridge colleagues can work hard knowing that our Company is standing firmly behind them. When we emerge from this disruption, we expect that our opportunities will be greater than before, and we have ensured that our Company remains poised to capture opportunities as they emerge. We are already seeing some “green shoots” of opportunity across our verticals.

We have made deep commitments as well to residents in our multifamily communities via the Bridge Cares: COVID-19 Relief Fund. Bridge has allocated over $1.5 million in financial support for our multifamily and seniors housing residents affected by COVID-19. Bridge has also implemented the Bridge COVID-19 Financial Hardship Assistance Program to aid our multifamily residents through flexible rent plans and assistance to food and other resources available in their local areas. And in times when we read media reports of property managers taking caustic actions towards their residents, we believe in the purposefulness of our actions and recognize that the Bridge brand will be stronger as a result of our commitments to our residents and communities.

Turning to observations of market conditions, we are beginning to understand the potential depths of a U.S. recession. The headline Q1 2020 GDP figure released on April 29, 2020 reveals how swiftly the impacts of COVID-19 changed the U.S. economy, with a negative 4.8% seasonally adjusted annual growth rate. The U.S. Congressional Budget Office (‘CBO’) expects that the downturn will be sharp but brief, forecasting the change in the annual rate for Real GDP at negative 39.6% in Q2 2020 and rebounding to positive 23.5% in Q3 2020.[i] The CBO expects that official unemployment will increase to 16.0% through Q3 2020 before decreasing to 11.7% in Q4 2020; however, the CBO has a challenging outlook for 2021 and anticipates the unemployment rate will remain high at 10.1% through 2021[ii]. Bridge’s internal estimates highlight a more severe employment situation currently, and we estimate that unemployment exceeds 20% as of the week ending April 25, 2020.[iii] These are truly unusual times in which the rapid deterioration of conditions require tracking weekly estimates to reveal the scale of turmoil in employment conditions.

The negative economic outlook is central to the debate as to whether some parts of the U.S. are ready to ease social distancing protocols including safer-at-home and stay-at-home mandates. State and local economies are experiencing unprecedented levels of unemployment, and the rate at which this disruption has occurred has revealed the strong relationship between the health of the U.S. economy and the active participation of the American consumer. A number of states with a pronounced Bridge presence—including Georgia, Florida, Utah, Colorado, and Texas—are, or are making strides towards, opening up. More states will follow as we enter mid-2020, which will result in a gradual revival of activity in high value industries including construction and manufacturing while also expanding personal care services, financial services, and retail. Industries such as leisure, hospitality, travel and entertainment are more difficult to predict, but a certainty across the board is that there will be new protocols for the conduct of business and public life. Ultimately, how robust of a recovery we will see is a question of U.S. consumer confidence, which prior to the current crisis had reached levels not seen since the late 1990s.[iv]

Amidst uncertainty about degrading economic conditions, we see reason for measured optimism in light of the scale of the U.S. Government’s response to the current crisis. The Federal Reserve, the White House, and Congress continue to administer targeted and discretionary relief to support the economy. In the short time since this crisis began, four fiscal rescue packages have been signed into law with the total support to the economy nearing $3 trillion, or 13.8% of Q4 2019 Current Dollar GDP. [v] In addition, beginning in March 2020, we have seen the Fed take proactive, thoughtful actions in order to support the smooth functioning of the U.S. credit markets. The Fed has been able to effectively utilize its toolkit to provide liquidity, stability, and confidence to the market and to investors. The Fed reaffirmed its commitments at the conclusion of the April 2020 meetings, pledging “to using its full range of tools to support the flow of credit to households, businesses, and communities to counter the economic impact of the coronavirus pandemic and promote a swift recovery once the disruptions abate.” [vi] Fed Chairman Powell called for additional action by Congress and the White House, noting that “the economy will need more support from all of us if the recovery is to be a robust one.” [vii]

While we expect to see resilience of the U.S. real estate sector longer term, we are prepared to weather an economic slowdown in the short term as conditions degrade. Entering mid-Q2 2020, leasing has continued, but at a much slower rate, with leasing activity and showings at 30-40% of pre-COVID levels. We have successfully transitioned to virtual touring, augmenting leasing activity at the asset level. Deal acquisition, sale activity and pricing across markets have slowed across commercial real estate sectors. We expect to see impacts continue through at least the beginning of Q3 2020, with continued lower levels of leasing activity, lack of new debt liquidity, and continuing issues with delinquency and ability to pay rent among certain impacted individuals and companies. While we expect a modest recovery as states continue to open their economies, it is too early to predict the shape and strength of the recovery, and as such, we will continue to operate defensively with respect to our current holdings, maintaining liquidity, while continuing distributions.

Bridge is operating with caution across strategies and focusing on clear communications across each of our verticals to inform our investment decisions. We have also reached out to you and all investors with an early assessment of the impact of COVID-19 on March 12, 2020, more recently on April 16, 2020, and with planned webinars the week of May 18th, continuing forward for as long as the crisis remains a factor in our investment decisions.

## Views on the Multifamily and Office Markets at Q1 2020 Quarter End

As 2020 began, the U.S. economy was in a different state. At the start of the quarter, the commercial real estate markets were benefiting from a growing U.S. economy, strong household formation rates, and steady job growth bolstered the domestic investment landscape for real estate assets. Bridge Target Markets evidenced particularly strong fundamentals on a relative basis, which were accretive to our activities, and an evolving financing environment brought new opportunities to strengthen returns. However, as the COVID-19 health crisis impacted the U.S. in March 2020, state and local governments initiated measures intended to reduce transmission of the virus ranging from school closures to restricting business activity to shelter-in-place mandates and safer-at-home guidelines. The cumulative effects have continued past quarter end, and the data below reflects a composite view of key indicators over the course of the quarter rather than a point-in-time view of the quarter end.

Headline economic figures in the U.S. remained positive with individual Fed Branches posting forward-looking estimates of GDP that remained positive through mid-March 2020, but the sharp declines in economic activity in March 2020 resulted in Q1 2020 GDP at a negative 4.8% annual growth rate.[viii] New job creation had averaged 125,000 per month over the past year, but the official BLS estimates of 701,000 jobs lost in March resulted in 71,000 jobs lost on a monthly average over the course of the quarter, which resulted in an unemployment rate of 4.4% as of March 2020.[ix] Not included in these estimates are initial unemployment claims, which surged late in the quarter with seasonally adjusted initial claims totaling 10 million individuals over the two-week period ending March 28,2020;[x] as noted above, the unemployment situation continued to degrade post-quarter end.

Fundamentals in the multifamily sector held steady at quarter end. Multifamily vacancy rates inched up to 4.39% in Q1 2020, retreating slightly from the years-long low registered during Q3 2019. Bridge expects that, post quarter end, we will see marginal increases in vacancy rates as a moratorium on evictions has been enacted nationwide. Effective rent growth continued at 2.9% in Q1 2020,[xi] and developers continued to respond to the tight market, as evidenced by the more than 99,400 multifamily permits that were issued nationwide during Q1 2020, albeit a 23.3% decrease over revised estimates of 129,700 permits issued in Q1 2019.[xii]

Multifamily transaction activity remained healthy through the majority of Q1 2020 with sustained and strong investor interest in the sector. National average cap rates settled in the 5.4% range (above what we see in Bridge Target Markets) with top-quartile transactions trading below 4.8%.[xiii] Meanwhile, property pricing continued its strong momentum during the quarter, with the RCA Multifamily Commercial Property Price Index (CPPI) posting a 11.1% year-over-year increase, which was up from 9.6% at year end 2019.[xiv] Multifamily transaction volume decreased from $50.4 billion in Q4 2019 to $36.9 billion in Q1 2020, and rolling four-quarter volume increase to $184.3 billion, or 4.8% due to the large volume of transactions occurring between Q2 2019 and Q4 2019.[xv]

In the office sector, market fundamentals also held steady through the quarter. Rents continued to experience steady increases, up to 2.43% year-over-year rent growth in Q1 2020 versus 3.0% in Q4 2019.[xvi] Nationwide vacancy rates held steady at 9.89% as employment growth boosted office demand to keep pace with net completions, which totaled approximately 13.4 million square feet of space in Q1 2020, up from 12 million square feet reported for Q4 2019. [xvii] A large amount of office space remained under construction, though still focused more in the gateway markets. Absorption is expected to fall due to the COVID-19 situation and result in a decrease in occupancy from the Q1 2020 level at 90.1%.[xviii]

Office transaction volume over the four quarters ending Q1 2020 totaled $141.9 billion, which represented a slight gain of 5.2% year-over-year, underpinned by growth in individual property transaction volumes.[xix] Pricing for office properties in Q4 posted stable gains with the office CPPI up 5.7% on a year-over-year basis and average pricing per square foot holding steady at 11.3%.[xx] Office cap rates also held steady year-over-year this quarter at 6.6% with top-quartile transactions trading below 5.6%, and the average cap rate figure aligned with the overall horizontal trajectory of office cap rates since mid-2016.[xxi]

## Investment Activity Update

As of March 31, 2020, Bridge Multifamily III had called 94.3% of the Partnerships' available capital and made 62 investments in high-growth cities in Arizona, Texas, Florida, Georgia, Maryland, Colorado, North Carolina, and California, funded by $3.2 billion of total capital and $923 million of Fund equity.

During the quarter ending March 31, 2020, Bridge Multifamily III realized two assets:

- Sheffield Square, a 400-unit apartment community in Dallas, Texas which is 65.9% owned by Bridge Multifamily III, closed on February 7, 2020 resulting in a gross IRR of 36.2% versus a pro-forma IRR of 21.7%, a multiple of 2.85x versus a pro-forma multiple of 1.95x.

- Indigo West, a 456-unit apartment community in Orlando, Florida which is 66.2% owned by Bridge Multifamily III, closed on March 17, 2020 resulting in a gross IRR of 45.3% versus a pro-forma IRR of 18.7%, a multiple of 2.86x versus a pro-forma multiple of 1.90x.

There were three under contract commercial assets, Harris Corner and Embassy Row / Embassy Row 100, which fell through due to CV19. We are planning to bring these assets back to the market along with Bayview, Celebration Office, and 3200 N Central. At this point only the balance of Denver Corporate Center sale has a high likelihood of closing before Q-2 ends and others are anticipated to be closed in late 2020 or Q-1 2021 due to changing conditions related to CV19.

## Operational Update

As of March 31, 2020, Bridge Multifamily III's multifamily portfolio is within 2.1% of our life-to-date NOI forecast. Our ongoing 2020 budgeted projections for the portfolio continue to demonstrate significant results. The multifamily portfolio was 93.2% leased as of March 31, 2020, reflecting the fact that we are in the repositioning mode at a number of assets, with extensive renovations still underway.

Although after the quarter, we thought we should present our collections for April, and we are pleased to report that April collections have outperformed our expectations. We have taken an "all hands on deck" approach in reaching out to our residents to help them access available resources, and to work with residents to keep their rent current or on a manageable deferment plan. Bridge's forward integration into property management, as well as our resident advocate approach, has enabled us to outpace many of our peers, even with the lower-income demographic of our Workforce & Affordable Housing Fund I. As of April 30th, over 94% of the rent has either been collected or put on a deferral agreement. Approximately 2% of these totals are on the deferral, and the balance has been collected. We anticipate greater challenges in May and June. Based on April collections, there has been no need to utilize the forbearance programs being offered by Fannie Mae and Freddie Mac, and all April debt obligations have been paid in full.

On balance, we came into second quarter in extremely strong position. Moreover, leasing activity continues at almost all assets, and the teams are converting using virtual tours at a higher rate than traditional tours, albeit on a lower amount of traffic. Renewals also continue well ahead of pace and are a strong offset to reduced leads and move-in activity and will also result in lower expenses.

Bridge Multifamily III's office portfolio was 83.2% occupied across the remaining 8 assets in the portfolio, but with leasing activity across all assets, the leased percentage is 85.8%. With only 3% of the tenants rolling in 2020, and a WALT of over 4.4 years at quarter-end, the portfolio is well leased, and well positioned. We anticipate that debt markets will need to become more liquid before the investment sales market reopens and path to the normalization of those markets will take some time. Given that illiquidity, banks will lead us out of that process and will lend to their best and most qualified borrowers first.

The first quarter of 2020 saw some initial leasing activity, with 57,000 square feet of leasing in the commercial office portfolio. The leasing highlight for the quarter was Bridge Multifamily III's executing a 10,000 square foot renewal with Avast Software at Harris Corners, and two new 8,000 square foot leases at Bayview and Park at Windward. Throughout the shelter-in-place orders, we've continued to see tour activity and leases. While slower than our prior activity, our leasing team is working to ensure the best possible execution despite the current challenges.

Overall, we feel positive about our commercial office and multifamily investment operations, along with the activity in the specific markets in which we are operating. We appreciate your support as our Partner and are extremely gratified by the progress of the portfolio to date, and Bridge Multifamily III overall. We look forward to continued success, in spite of the current crisis. We have a strong operating team in place, and our management team has been through crisis before. We are well positioned with our lenders, our assets, and our people, and our residents.

With Best Regards,

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Rich Stayner & Jonathan Slager
Co-Chief Investment Officers
Bridge Multifamily III Funds

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i U.S. Congressional Budget Office. April 24, 2020. CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021.Accessed on April 29, 2020 at https://www.cbo.gov/publication/56335.
ii U.S. Congressional Budget Office. April 24, 2020. CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021.Accessed on April 29, 2020 at https://www.cbo.gov/publication/56335.
iii Bridge Investment Group Research. Data source: U.S. Department of Labor, Weekly Claims Report from March 26, 2020 through April 30, 2020.
iv Bridge Investment Group Research. Data source: The Conference Board as of April 28, 2020.
v Bridge Investment Group Research. Data source: U.S. Bureau of Economic Analysis. April 7, 2020. Gross Domestic Product by State: 4th Quarter and Annual 2019.
vi Board of Governors of the Federal Reserve System. April 27, 2020 (Press Release). Federal Reserve Board announces an expansion of the scope and duration of the MunicipalLiquidity Facility.
vii Board of Governors of the Federal Reserve System. April 29, 2020 (Press Release). Transcript of Chair Powell's Press Conference. Accessed on April 30, 2020 at https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20200429.pdf
viii Bureau of Economic Analysis, Gross Domestic Product, 1st Quarter 2020 (Advance Estimate), as of April 29, 2020.
ix Bureau of Labor Statistics. April 3, 2020. Employment Situation Summary.
x Bureau of Labor Statistics. April 2, 2020 (news release). Unemployment Insurance Weekly Claims.
xi Bridge Investment Group, Q1 2020 Market Trends Report; Axiometrics as of Q1 2020
xii Axiometrics, New Privately Owned Housing Units Authorized by Building Permits in Permit-Issuing Places for buildings with 5 or more units. As of Q1 2020.
xiii RCA as of Q1 2020
xiv RCA as of Q1 2020
xv RCA as of Q1 2020
xvi CoStar as of Q1 2020
xvii CoStar as of Q1 2020
xviii CoStar as of Q1 2020
xix RCA as of Q1 2020
xx RCA as of Q1 2020
xxi RCA as of Q1 2020

SPIRE GLOBAL PRIVATE REAL ESTATE

# SPIRE USA ROC III FUND (AUD)

MONTHLY FACTSHEET – MAY 2020

## Fund Overview

The Fund was established in 2016 and acts as an unhedged Australian feeder fund into the assets of Bridge Multifamily & Commercial Office Fund III, LP ("BMF III"). BMF III is a US$1.1 billion (committed equity) value-add "buy, fix, sell" private equity real estate fund, investing in value-add US multifamily apartment communities and office buildings. The Fund has made a US$53 million capital commitment to BMF III, which represents approximately 4.81% of BMF III's total committed capital. To date approximately 94.3% of committed capital has been deployed or allocated to 62 value-add multifamily and commercial office assets located throughout the USA, at gross aggregate purchase price of circa US$3.28 billion (including Joint Venture partnerships). BMF III's Investment Period expired in January 2018, and the fund is now in its Harvest Period, during which assets will be sold as they are stabilised and value has been maximised.

Bridge Investment Group ("Bridge") is the US based Investment Manager of the Fund. Bridge is a specialist US real estate and real estate funds manager with over US$18 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 25 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 2,600 management, leasing and facilities employees across the states in which assets are owned.

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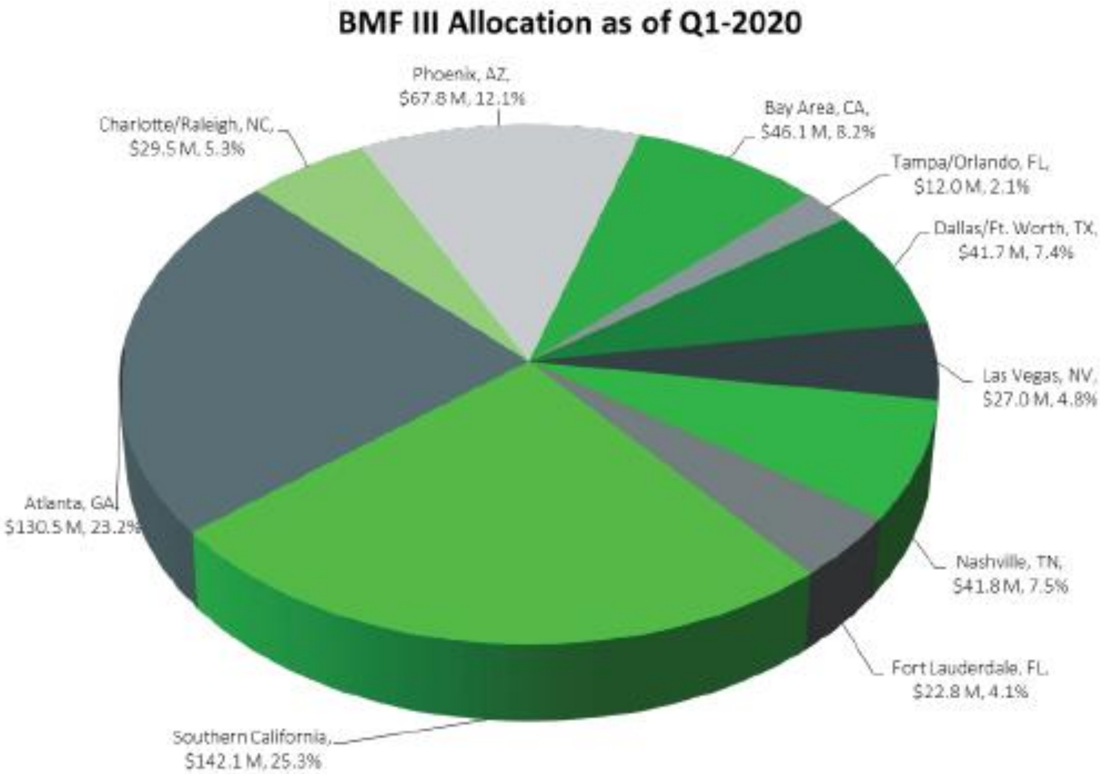
## Regional Breakdown*




*Underlying Fund investments by Equity invested as at 31 March 2020*

SPIRE GLOBAL PRIVATE REAL ESTATE

# SPIRE USA ROC III FUND (AUD)

MONTHLY FACTSHEET – MAY 2020

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## Important Information