

SPIRE USA ROC II FUND (AUD) MONTHLY INVESTMENT REPORT



First ROC II Program disposition, 39 South LaSalle Street, Chicago, IL, has been sold for US\$22 million to Kimpton Hotels, after being acquired by ROC II for US \$10.42 million in April 2013.



January 2014 Fund Update

Dispositions

Real Estate Opportunity Capital Fund II LP ("ROC II"), the underlying fund to Spire USA ROC II Fund (AUD) ("the Fund"), has closed the first disposition of an asset in December, being the sale of 39 South LaSalle Street, Chicago IL, to boutique luxury hotel owner and operator, Kimpton Hotels.

Kimpton has paid US\$22 million (\$105 per square foot) for the 209,597 sq ft property, and will convert the current C-grade office building to a boutique luxury hotel.

39 South LaSalle Street was acquired by ROC II in April 2013 for \$10,420,000, together with the the adjoining 172,895 sq ft 29 South LaSalle Street, which was acquired by for US\$7,580,000. The acquisition was made by way of the purchase of a non-performing loan, on which both properties were collateral. Following purchase, ROC II foreclosed on the non-performing loan to take possession of the properties.

As the adjoining C-grade office buildings had for many years been a development site, all of the leases in both properties contain redevelopment clauses, enabling vacant possession at short notice. This added significant value to Kimpton's plans and hence the sale price.

Chicago has a shortage of hotel rooms in the central loop precinct in which these properties are located, hence there is current interest from another hotel operator in acquiring the remaining ROC II property, 29 South LaSalle Street. Alternatively, if the property is not sold to a hotel operator, the base case value add plan to refurbish 29 South LaSalle Street as a B-grade office building will be executed this year.

Both options have the potential to generate a sale price for 29 South LaSalle Street in the US\$14 million - \$15 million range, implying a total potential realisation in the range of US\$36 million - US\$37 million, on a US\$18 million investment.

The Lobby of 39 South LaSalle Street, Chicago, which has been sold to Kimpton Hotels for US \$22 million for conversion to a boutique luxury hotel.



New Acquisitions

ROC II closed on the purchase of three new value-add multifamily properties during the month of December, being:-

Name	Location	Total Equity Invested
Shadows at Cottonwood	Irving (Dallas), Texas	US\$11,350,000
The Falls at Gwinnett Place	Duluth (Atlanta), Georgia	US\$1,725,000
Villages at Seeley Lake	Lakewood (Seattle), Washington State	US\$16,571,700

These properties have initially been acquired using a 120 day revolving credit facility funded by Silicon Valley Bank, to enable a single Capital Call to be issued to Limited Partners, including the Fund. We will provide further details on each asset and its investment strategy when the Capital Call, which will contain this information, is received.

Unit Prices

Unit Prices for the Fund as at 31 December 2013 accompany this update.

Unit Prices for this month take account of the following factors:-

- Net Operating Income Increases: Assets which had been owned for greater than 6 months as at 31 December 2013 recorded a collective 7.5% increase in Net Operating Income in the quarter from 30 September to 31 December 2013, primarily due to increased occupancy resulting from execution of value-add and leasing strategies. This has been reflected in NAV, however as no evidence of general capitalisation rate compression or expansion has been noted in Q4, no capitalisation rate adjustments have been made;
- The new acquisitions as noted above;
- The sale of 39 LaSalle Street, Chicago;
- USD / AUD currency movement.

- 3rd and Final Conversion of Application Units: On 24th December 2013, Spire USA ROC II Fund (AUD), had its 3rd and final Conversion of Application Units to Ordinary Units. As a result of this, 4,517,015 new Ordinary Units and 996,355 new Wholesale Units were issued in December, and thus taken into account when calculating the 31 December unit price. This represented an increase of 26.49% and 18.87% respectively of Ordinary and Wholesale units on issue.

Following the 3rd and Final Conversion, the number of units on issue for each unit class in the Fund is as follows:

Ordinary	21,521,227
Wholesale	6,277,257
Institutional	12,000,000
Total	39,798,484

Collectively the Fund has made a US\$35,000,000 commitment to ROC II, meaning that it has indirect ownership of 5.88% of each ROC II asset.

To date, 60.9% of the Fund's \$35,000,000 in Committed Capital has been Called for investment into ROC II assets. The balance of the final ROC II portfolio is expected to be acquired and the remainder of the Fund's capital called by mid 2014.

Should you have any queries or comments regarding the above, or any other matter concerning the Fund, please contact Spire Capital at info@spirecapital.com.au.

Important Information

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Contact details

+612 9377 0755

www.spirecapital.com.au

