

SPIRE USA ROC II FUND (AUD) MONTHLY INVESTMENT REPORT



1700 West Loop South, Houston: The common area refurbishment portion of the value-add has now been completed. This has translated into leasing success with the property securing a new 135,000 sq ft 10-year lease deal with leading engineering firm Burns & McDowell, complete with naming and signage rights.

March 2014 Fund Update

Unit Prices

Unit Prices for the Fund as at 28 February 2014 accompany this update.

There has been a slight fall in Unit Prices this month due to provisions for Capital Call Notices received totaling US\$3,467,630.32. This Capital Call is to pay down the US\$60 million line of credit facility provided to ROC II by Silicon Valley Bank to acquire 3 new multifamily apartment communities (see January 2014 update).

As under US GAAP accounting treatment, new acquisitions are for the first 6 months held at Cost less acquisition expenses, this is slightly dilutionary to underlying NAV and thus Unit Prices. The main reason for the fall in Unit Prices was the rise in the Australian dollar from the end of January (USD 0.8725) to the end of February (USD 0.8948).

Dispositions

No new dispositions have been concluded during the month of February.

The sale Andora Apartments located in Indio (near Palm Desert), California, has now gone unconditional and is expected to close (settle) on April 10, 2014. The sale will realise a gross 27.1% IRR.

The marketing of Pinewood Apartments (180 units), in Seattle WA, has commenced via the appointed real estate broker. The first round of offers are expected shortly.

New Acquisitions

No new acquisitions have been concluded during the month of February, however numerous new opportunities are under consideration and negotiation, specifically in the markets of Seattle, Orlando, Las Vegas and Denver.

A 278 unit value-add multifamily apartment community near Portland, Oregon remains under due diligence at a price of US\$27 million, or US\$97,000 per unit.

Limited Partner Advisory Committee meeting

Matthew Cook, a Director of Spire Capital, represented the Fund as part of the ROC II Limited Partner Advisory Committee (LPAC) annual meeting held in Salt Lake City, Utah last Wednesday 12th March, 2014. Mr Cook attended remotely via Cisco webex. The purpose of the LPAC meeting is to present to the Advisory Committee meeting the audited valuations for the portfolio as at Q4 (31 December) 2013, for review and consent. Once approved, these will form the basis for the issuance of Q4 Limited Partner Investor Statements, which are expected at the end of March.

The highlights of the LPAC meeting were as follows:

- Bridge Investment Group Partners' Chief Investment Officer (CIO) for ROC II, Mr Danuel Stanger is very positive about the portfolio, saying that he was pleased with the mix, diversification and performance of the portfolio;
- An exception to the above are the two multifamily apartment properties located in Albuquerque, New Mexico (La Entrada and Monterra), in which ROC II has a partial interest in and which have performed below expectations, with leasing demand being less than anticipated and lease up rates slower and lower than anticipated;
- As at 31 December 2013:
 - * 54% of the portfolio was valued at "Fair Market" using Discounted Cash Flow (DCF) analysis, as these assets had been owned greater than 6 months. These assets showed an unrealised 37.8% IRR and 1.4x equity multiple. These assets had an average occupancy rate of 86.6%;
 - * The residual 46% of the portfolio, which had been owned less than 6 months as at 31 December 2013, was valued at Cost less acquisition expenses, in accordance with US GAAP accounting standards;
 - * 62.2% of Committed Capital had been called from LPs to equity fund the existing portfolio investments. The CIO Mr Stanger expects that 74% of committed Capital will be deployed by the end of Q2 2014 and 85% by the end of Q3;
 - * ROC II was invested into 85% multifamily assets and 15% commercial office properties. This is in line with expectations and the target mix;
 - * The average Loan to Value ratio (LTV) across the portfolio was 62% and the average Debt Service Coverage Ratio (DSCR) was 1.69X;

As mentioned above the Fund expects to receive its Q4 2014 Statement towards the end of the month. If this is received in a timely manner, a comprehensive update on the revaluation of each asset will be provided in next month's Monthly Investment Report.

Important Information

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Contact details

+612 9377 0755

www.spirecapital.com.au

