



**State of New Jersey**

CHRIS CHRISTIE  
*Governor*

DEPARTMENT OF THE TREASURY  
DIVISION OF INVESTMENT  
P.O. BOX 290  
TRENTON, NJ 08625-0290

KIM GUADAGNO  
*Lt. Governor*

ANDREW P. SIDAMON-ERISTOFF  
*State Treasurer*

September 13, 2013

MEMORANDUM TO: The State Investment Council

FROM: Christopher McDonough  
Acting Director

SUBJECT: **Proposed Investment in GLP China Logistics Fund I, L.P.**

The New Jersey Division of Investment (“Division”) is proposing an investment of \$75 million in GLP China Logistics Fund I, L.P (“GLP”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

**Attractive Environment:** The Chinese logistic warehousing market is characterized by a limited supply of competitive modern stock, high barriers to entry (including limited quotas for land in suitable locations) and an increasing sophisticated customer base that views over 75% of the current stock as obsolete. Due to these factors, development yields can be approximately 8.75% with a projected unlevered Internal Rate of Return of 14% for a 10 year holding period. This compares favorably to other property types (office and residential mostly) in China and industrial in the US and Europe, which have shown development yields closer to 6-7.5%.

**Successful Track Record:** GLP owns five times the gross floor area of their nearest logistic warehouse competitor in China. As of 3Q12, the properties were 92% leased. Additionally, GLP has been able to develop properties at an average historical yield of 9% with only a 5.6 month lease-up period. The firm also has a team of 471 experienced local professionals working across 20 offices in China.

**Defined Pipeline and Established Sponsor:** The fund offers investors an immediately visible investment pipeline consisting of projects that GLP, the parent entity, will contribute to the fund. This pipeline consists of approximately 22 projects and 1.7 million square meters of gross floor area, and is primarily in the form of land to be developed by the fund. The fund will also benefit from GLP’s development pipeline, consisting of 6.8 million square meters under option or Memorandum of Understanding (MOU).

**Strong alignment of interest with GP:** GLP will commit \$750 million or 51% of the total capital commitments to the fund. This is the largest commitment that GLP has made to any of its underlying funds to date and amounts to ~42% of the firm’s 6/30/13 cash assets.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its real estate consultant, R.V. Kuhns and Associates, Inc., undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures.

The fund utilized M3 Capital Partners (HK) Limited (the "placement agent") as third-party solicitor in connection with the potential investment. Staff has determined that the placement agent and its representatives met the registration, licensing and experience requirements set forth in the Division's Placement Agent Policy (the "Policy"). Pursuant to the Policy, the fund has disclosed the contract between the fund and the placement agent, specifying the scope of services to be performed by the placement agent and the fee arrangement between the placement agent, the general partner and any other third party.

We will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. In addition, the proposed investment must comply with the Council's regulation governing political contributions (N.J.A.C. 17:16-4).

Please note that the investment is authorized pursuant to Articles 69 and 71 of the Council's regulations. The GLP China Logistics Fund I, L.P. will be considered a non-core real estate investment, as defined under N.J.A.C. 17:16-71.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the Committee was held on September 5, 2013. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's September 19, 2013 meeting.

Attachments

**Fund Name: GLP China Logistics Fund I**

**September 19, 2013**

**Contact Info:** Ralf Wessel, 501 Orchard Road #16-02 Wheelock Place, Singapore 238880

<b>Fund Details:</b>		
Total Firm Assets:	\$16.4 billion	<p><b>Key Investment Professionals:</b>  <b>Jeffrey H. Schwartz</b>, Co-Founder of GLP, Chairman of the Executive Committee, Executive Director and GLP Group's Deputy Chairman of the Board. He also serves as a member of GLP's Investment Committee. Prior to GLP Mr. Schwartz held various executive roles at Prologis, a NYSE-listed Fortune 500 Company, rising to Chief Executive Officer in 2005 as well as Chairman of the Board in 2007. While at Prologis, Mr. Schwartz spearheaded Prologis' entry into the European markets in 1997, and also established Prologis' Asia platform in 2002.  <b>Ming Z. Mei</b>, Chief Executive Officer of GLP, Co-Founder of GLP and Executive Director. He also serves as a member of GLP's Investment Committee. Mr. Mei was formerly the Chief Executive Officer of Prologis for China and Asian Emerging Markets. He opened Prologis' first China office in 2003 and built up GLP's China operations to their current scale.  <b>Kent Yang</b>, President of China Operations and is in charge of GLP's business in China. Mr. Yang joined the Company in 2005; he was formally the Managing Director for GLP China and Chief Operating Officer for Prologis China, where he was responsible for development &amp; construction, leasing, property management and customer service.</p>
Strategy:	Opportunistic Real Estate	
Year Founded:	2009	
Headquarters:	Singapore	
GP Commitment:	51%	

**Investment Summary** **Existing and Prior Funds**

Global Logistics Properties ("GLP") (XSES: GLP) is one of the world's leading industrial and logistics infrastructure providers, managing a \$16.4 billion portfolio across China, Japan and Brazil. GLP was established in 2009 through the acquisition of substantially all of Prologis' Asian operations by the Government of Singapore Investment Corporation. GLP was founded by Jeffrey Schwartz, the former CEO of Prologis, and Ming Mei, the former CEO of Prologis China. GLP China Logistics Fund I is raising \$1.2 - \$1.5 billion to develop Class-A logistics assets throughout Mainland China. GLP is China's largest logistics property developer, owner and operator, and the fund presents an opportunity to develop modern logistic facilities at attractive yields where a lack of supply exists in China's key markets.

<u>Funds</u>	<u>Strategy</u>	<u>Returns*</u>
GLP Japan Development Partners I	Opportunistic	16% target net investor IRR
GLP Japan Income Partners I	Value-add	15% target net investor IRR
GLP Ichikawa JV	Opportunistic	15% target net investor IRR
GLP Brazil Income Partners I	Value-add	16% target net investor IRR
GLP Brazil Development Partners I	Opportunistic	18% target net investor IRR
GLP J-REIT	Core	N/A
GLP China Logistics Fund I	Opportunistic	14% - 16% target net investor IRR

IRR = Internal Rate of Return  
 \* Current returns for all vehicles are in-line with target returns

**Vehicle Information:**

<b>Inception:</b>	2013	<b>Auditor:</b>	Deloitte Touche Tohmatsu CPA Ltd
<b>Fund Size:</b>	\$1.2 - \$1.5 billion	<b>Legal Counsel:</b>	Morrison & Foerster LLP
<b>Management Fee:</b>	0.60% (on gross asset value)		
<b>Carry:</b>	20% (European waterfall)		
<b>Hurdle Rate:</b>	10%		
<b>Acquisition Fee:</b>	1% of land costs for ongoing acquisitions, no such fee will be applied to the seed projects		

**NJ AIP Program**

<b>Recommended Allocation (\$mil.):</b>	\$75 million	<b>LP Advisory Board Membership:</b>	Yes
<b>% of Fund:</b>	5.00% - 6.25%	<b>Consultant Recommendation:</b>	Yes
		<b>Placement Agent:</b>	Yes
		<b>Compliance w/ Division Placement Agent Policy:</b>	Yes
		<b>Compliance w/ SIC Political Contribution Reg:</b>	Yes

\*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.