



Two Newton Place  
255 Washington Street, Suite 300  
Newton, Massachusetts 02458  
617-796-8390  
rmrgroup.com

NEWS RELEASE

# The RMR Group Inc. Announces \$100 Million Commitment to and Launch of the RMR Office Property Fund LP

8/1/2018

## Portnoy Family Office Contributing \$206 Million of Properties to the Fund

NEWTON, Mass.--(BUSINESS WIRE)-- The RMR Group Inc. (Nasdaq: RMR) today announced an agreement between RMR and ABP Trust (the "Portnoy Family Office"), by which RMR is committing \$100 million and the Portnoy Family Office is contributing \$206 million of owned office properties to launch the RMR Office Property Fund LP (the "Fund").

The Fund will be a private, open end core fund focused on the acquisition, ownership and leasing of a diverse portfolio of office properties throughout the U.S. The Fund plans initially to focus its investments in middle market, multi-tenant office buildings located in urban infill and suburban locations in non-gateway U.S. markets. The Fund considers middle market office properties to be larger than 50,000 square feet but valued at less than \$100 million. The Fund will be marketed to private investors and is targeting 8% to 10% annual returns through a combination of current income and long-term capital appreciation.

RMR has made a \$100 million commitment to the Fund and this capital is expected to be drawn and invested by the Fund within the next year. RMR will manage the Fund and it will receive annual fund administration fees equal to 1.0% of the Fund's net asset value. In addition, RMR will receive property management fees equal to 3.0% of all rents collected from commercial real estate investments and 5.0% of costs of construction or any improvement at commercial real estate investments held by the Fund. As of March 31, 2018, RMR had \$276 million in cash and no debt.

The properties being contributed to the Fund by the Portnoy Family Office include 15 office properties with 1.1 million rentable square feet. On a combined basis, these properties are currently 89% occupied for a 3.5 year weighted (by rental revenues) average remaining lease term. The properties are located in Austin, TX, Northern Virginia, suburban Boston, MA and suburban Philadelphia, PA. The Portnoy Family Office previously acquired these properties and they are being contributed to the Fund at a value of \$206 million, or approximately an 8.5% GAAP cap rate.

The Fund has approximately \$300 million of immediate capacity for new acquisitions and should be able to achieve more than \$500 million in total assets without the need for additional capital from third parties because of the \$100 million commitment by RMR and by using approximately 40% leverage on the Fund's total assets. All of the 15 properties being contributed to the Fund by the Portnoy Family Office are currently unencumbered by any debt.

Adam Portnoy, President and Chief Executive Officer of RMR, made the following statement regarding today's announcement:

"With approximately \$30 billion of AUM and almost all these assets consisting of investments in commercial real estate that are owned by publicly traded equity REITs, forming a fund that makes investments in commercial real estate for private investors is a natural extension of RMR's business. By focusing on middle market, multi-tenant office properties in urban infill and suburban locations, the Fund also should benefit from RMR's experience in acquiring over \$16.5 billion worth of office properties throughout the U.S. since the mid-1990s without any significant conflict with the publicly traded equity REITs that are currently managed by RMR. In addition, the \$100 million commitment by RMR and the \$206 million property contribution by the Portnoy Family Office provides significant alignment of interests for new investors in the Fund. Finally, since this is a new business endeavor for RMR, it may take some time for the Fund to raise additional capital from private investors, but we expect the Fund to be at least \$1 billion in total assets within the next five years."

The Fund's General Partner will be a wholly owned subsidiary of ABP Trust. ABP Trust is a private company that directly and indirectly owns approximately 52% of the economic interest in RMR as well as has investments in other related businesses and commercial real estate. ABP Trust is controlled by Adam Portnoy and it is owned by members of the Portnoy family.

The valuation for the 15 properties contributed to the Fund by the Portnoy Family Office was agreed to by a special committee of RMR's Board of Directors consisting of members that were unaffiliated with ABP Trust and with the assistance of an independent third-party appraiser. This same special committee also approved RMR's \$100 million commitment to the Fund.

The RMR Group Inc. is a holding company, and substantially all of its business is conducted by its majority-owned subsidiary, The RMR Group LLC. The RMR Group LLC is the entity that is party to the agreement with the Portnoy Family Office and it will be the investor in, and provider of administrative and property management services to, the Fund. The RMR Group LLC is an alternative asset management company that primarily provides management services to publicly traded REITs and real estate operating companies. As of March 31, 2018, The RMR Group LLC had approximately \$30.0 billion of total assets under management, including more than 1,700 properties, and employed over 550 real estate professionals in more than 35 offices throughout the United States; and the companies managed by The RMR Group LLC collectively had approximately 52,000 employees. The RMR Group Inc. is headquartered in Newton, Massachusetts.

## WARNING REGARDING FORWARD LOOKING STATEMENTS

THIS PRESS RELEASE CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON RMR'S PRESENT BELIEFS AND EXPECTATIONS, BUT THESE STATEMENTS AND THE IMPLICATIONS OF THESE STATEMENTS ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR FOR VARIOUS REASONS, SOME OF WHICH ARE BEYOND RMR'S CONTROL. FOR EXAMPLE:

- THIS PRESS RELEASE STATES THAT THE FUND IS TARGETING 8% TO 10% ANNUAL RETURNS. AN IMPLICATION OF THIS STATEMENT IS THAT THE FUND WILL ACHIEVE RETURNS THAT ARE AT LEAST WITHIN THIS RANGE. THE ACQUISITION ENVIRONMENT FOR OFFICE PROPERTIES IN THE U.S. IS HIGHLY COMPETITIVE AND THE ACTUAL ANNUAL RETURNS MAY BE LESS THAN THIS RANGE;
- THIS PRESS RELEASE STATES THAT RMR'S \$100 MILLION COMMITMENT TO THE FUND IS EXPECTED TO BE DRAWN AND INVESTED BY THE FUND WITHIN THE NEXT YEAR. THE ACQUISITION ENVIRONMENT FOR OFFICE PROPERTIES IN THE U.S. IS COMPETITIVE AND THE FUND MAY NOT BE SUCCESSFUL IN DRAWING AND INVESTING ALL, OR ANY, OF THIS CAPITAL WITHIN ONE YEAR OR OTHERWISE;
- THIS PRESS RELEASE STATES THAT THE FUND HAS APPROXIMATELY \$300 MILLION OF IMMEDIATE CAPACITY FOR NEW ACQUISITIONS. THE ACQUISITION ENVIRONMENT FOR OFFICE PROPERTIES IN THE U.S. IS COMPETITIVE AND THE FUND MAY NOT BE ABLE TO MAKE ACQUISITIONS WORTH \$300 MILLION, OR ANY, ACQUISITIONS IN THE FUTURE;
- THIS PRESS RELEASE STATES THAT THE FUND SHOULD BE ABLE TO ACHIEVE MORE THAN \$500 MILLION IN TOTAL ASSETS BY USING APPROXIMATELY 40% LEVERAGE ON THE FUND'S TOTAL ASSETS. HOWEVER, THE FUND MAY BE UNABLE TO ACCESS DEBT FINANCING THAT WOULD PROVIDE THIS AMOUNT OF, OR ANY, LEVERAGE ON THE FUND'S TOTAL ASSETS. FURTHER, THE COSTS OF ANY LEVERAGE THE FUND MAY OBTAIN COULD REDUCE THE FUND'S RETURNS;

- MR. PORTNOY STATES THAT THE FUND IS EXPECTED TO GROW TO AT LEAST \$1 BILLION IN TOTAL ASSETS WITHIN THE NEXT FIVE YEARS. RMR HAS NEVER BEFORE MANAGED A PRIVATE, OPEN END FUND AND COMPETITION TO ATTRACT PRIVATE CAPITAL IS HIGHLY COMPETITIVE. BECAUSE OF THIS, THERE IS NO GUARANTEE THAT THE FUND WILL GROW ASSETS UNDER MANAGEMENT TO AT LEAST \$1 BILLION, OR AT ALL, WITHIN THE NEXT FIVE YEARS OR ANY OTHER PERIOD OF TIME; AND
- THIS PRESS RELEASE STATES THAT A SPECIAL COMMITTEE OF RMR'S BOARD OF DIRECTORS CONSISTING OF MEMBERS THAT WERE UNAFFILIATED WITH ABP TRUST AGREED TO THE VALUATION OF THE PROPERTIES BEING CONTRIBUTED BY ABP TRUST TO THE FUND AND WITH THE ASSISTANCE OF AN INDEPENDENT THIRD-PARTY APPRAISER. THIS PRESS RELEASE ALSO STATES THAT THIS SAME COMMITTEE ALSO APPROVED RMR'S \$100 MILLION COMMITMENT TO THE FUND. AN IMPLICATION OF THESE STATEMENTS MAY BE THAT THESE TERMS ARE AS FAVORABLE TO US AS TERMS WE COULD OBTAIN FOR SIMILAR ARRANGEMENTS FROM UNRELATED THIRD PARTIES. HOWEVER, WE COULD STILL BE SUBJECTED TO CLAIMS CHALLENGING THESE TERMS OR OUR ENTRY INTO THE TRANSACTION AGREEMENT.

FOR THESE REASONS, AMONG OTHERS, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON ANY FORWARD LOOKING STATEMENTS IN THIS PRESS RELEASE.

THIS PRESS RELEASE SHALL NOT CONSTITUTE AN OFFER OF SECURITIES OR OTHER INTERESTS IN THE FUND.

View source version on **businesswire.com**: <https://www.businesswire.com/news/home/20180801005439/en/>

The RMR Group Inc.

Timothy A. Bonang, 617-796-8230

Senior Vice President

Source: The RMR Group Inc.