

**TO:** Employees' Retirement System of Rhode Island  
**FROM:** Meketa Investment Group  
**DATE:** August 18, 2021  
**RE:** Crow Holdings Realty Partners IX

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On behalf of the Employees' Retirement System of Rhode Island (ERSRI), Meketa Investment Group has conducted due diligence on Crow Holdings Realty Partners IX (the Fund or Fund IX) and its sponsor Crow Holdings Capital Partners (Crow). The opportunity is being considered as part of the non-core real estate portfolio. Based on ERSRI's investment strategy, the merits of the Fund and the information provided in this summary, Meketa is of the opinion that an investment in the Fund is a prudent investment for the Employees' Retirement System of Rhode Island. Meketa's opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered as tax, legal or transaction-structuring advice. In making any investment decision with respect to this Fund, ERSRI may rely on this report but must also make its own examination and assessment of the Fund and the terms of the offering, including the merits and risks involved.

## Investment Overview

Crow Holdings Realty Partners IX, LP is a, value-added closed-end Fund targeting investments diversified across a number of property types throughout primary and secondary markets in the US.

## Organization

Headquartered in Dallas, Texas, Crow Holdings is a privately-owned real estate investment and development firm with a 70-year operating history. Crow Holdings was founded to manage the capital of the Trammell Crow family. Crow Holdings has two business arms: Crow Holdings Capital (investment management) and Crow Holdings Partners (development). Crow Holdings Capital is the real estate investment management company within Crow Holdings and formed its first discretionary commingled value-add vehicle in 1998.

Within Crow Holdings Capital, the value-add fund series is the flagship series. For many years, the value add funds were the sole investment focus of the manager. Crow currently manages three other strategies, including: Food & Service Retail (CHRF I and CHRF II), Self-Storage (Storage Fund), and Multifamily Build-to-Hold (MF BTH Fund).

Crow has raised a total of \$8.1 billion in capital through nine prior value-add real estate fund vehicles. The firm has a total of 102 employees, of which 51 are investment professionals responsible for acquisitions and asset management.

## Fund Strategy

Fund IX will continue a similar value-add strategy as executed in prior funds, but with slight variations to sector allocation based on Crow's view of the current market environment. The Fund will build a portfolio of assets that is diversified across a number of property types and geographies, mostly concentrated in primary and secondary markets throughout the U.S. Crow primarily targets property types that offer predictable cash flow and have lower capital expenditure requirements. The Fund will target a 14% to 16% gross levered IRR (10% to 11% net IRR).

Fund IX will not target office or hotel investments, which is consistent with the predecessor Fund VIII. The expected Fund IX portfolio will be heavily weighted to traditional apartments and industrial/logistics, with complementary investments in niche residential (student and manufactured housing) and necessity/convenience retail, where Crow has built expertise. These niche property types enhance overall portfolio diversification and have certain defensive characteristics such as lower capital expenditures need, high tenant retention and needs-based demand drivers.

## Performance

As of March 31, 2021, Crow has invested \$6.9 billion across the eight value-add funds generating a 12.0% net IRR and 1.4x net TVM. In line with prior funds, Fund IX is targeting a 10% to 11% net IRR.

## Terms

Crow Holdings Realty Partners IX is targeting \$2.4 billion fund size. The management fee is an amount equal to 1.5% per annum of the capital committed during the investment period and 1.5% of funded capital thereafter. The preferred return structure for the Fund is 9%. After investors have received their initial preferred return of 9% and a return of all invested capital, there is a 50% GP catch-up. Crow will receive 20% of all remaining profits. There is also an LP claw-back in place. The total partnership term is ten years, inclusive of a four-year commitment period, with two one-year extensions.

## Recommendation

Meketa recommends that an investment of \$30 million be considered in Fund IX as part of the non-core real estate portfolio. This recommended fund adds diversification and is consistent and in context with the existing investments and the role of non-core real estate within the Private Growth section of the total fund.