



TO: The Employee Retirement System of Rhode Island and the Other Pension Employee Benefits Plan

FROM: Meketa Investment Group

DATE: January 28, 2025

RE: Greystar Essential Housing Fund I

On behalf of The Rhode Island Employees Retirement Systems Pooled Trust (“ERSRI”), along with the Rhode Island OPEB System Trust (“OPEB”), (collectively, the “Plans”), Meketa Investment Group (“Meketa”) has conducted due diligence on Greystar Essential Housing Fund I (“Fund I,” the “Fund,” or “GEHF”) and its sponsor, Greystar Real Estate Partners (“Greystar,” the “Firm,” or the “Manager”). The opportunity is being considered as part of the Plans’ non-core real estate allocation, within the Private Growth class. The Fund’s opportunistic risk profile and multifamily sector focus supports the objective of diversifying ERSRI’s non-core holdings with sectors benefiting from demographic trends. Based on the Plans’ investment strategies, 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 opportunity for the Plans. Meketa’s opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered tax, legal, or transaction-structuring advice. In making any investment decision with respect to this Fund, the Plans may rely on this report but must also make their own examination and assessment of the Fund, including the terms of the offering, the merits, and the risks involved.

Investment Overview

Greystar Essential Housing Fund is an opportunistic, closed-end equity fund targeting multifamily development properties within the United States. The Fund will target a gross IRR of 17% to 19% (net IRR of 14% to 16%), with a target for the development phase of each asset of more than 22% gross IRR (18% net IRR). The asset level leverage limit is expected to be at or below 57.5% loan-to-cost in the development phase, and after lease-up and stabilization, the asset will have a maximum loan-to-value ratio of 50%.

Organization

Greystar is one of the largest real estate multifamily developers and managers, by units managed, in the United States. Founded in 1993 by Bob Faith, Mr. Faith leveraged his market expertise and investment experience gained from Trammel Crow Company and Starwood to found an institutional, full-service rental residential specialist. The Firm has grown to a global enterprise with a full-service platform and local presence nationally, and has expanded globally. As a vertically integrated manager, Greystar employs over 27,000 professionals within property management, investments, and development across its 65 local and regional offices. The Firm manages more than 954,000 apartment units in over 180 U.S. markets. Greystar Real Estate Partners has four wholly owned subsidiaries that provide integration of investment management, property management, development, and construction



management. All but the investment management arm provide services to both Greystar-sponsored investments as well as third party clients, with the majority of its service revenue coming from non-Greystar investments.

The operations of Greystar Essential Housing I are governed by Greystar's Global Investment Committee and managed by Greystar's Investment Management team. Kevin Kaberna (Executive Director, North America Investment Management) leads Investment Management in the Americas and is supported by a domestic team of approximately 350 investment management professionals. The day-to-day activities of the Fund are led by Greystar's Portfolio Management group within the Investment Management team. Chris MacNaughton (Senior Managing Director, Portfolio Management) leads the U.S. Closed-End Portfolio Management group, and Thomas Forrester (Managing Director, Portfolio Management) serves as the Fund's lead portfolio manager.

Fund Strategy

Greystar Essential Housing Fund I will develop and operate multifamily properties at attainable rent levels for moderate income households. The Fund intends to acquire and entitle land sites, utilizing both Greystar's wholly owned modular construction business (40% target) and site-built construction designs (60% target) to deliver new and quality housing to renters with incomes between 70% to 90% of area median income ("AMI"). Greystar began ideating modular housing in 2020 before procuring a factory, on Greystar's balance sheet, that previously produced manufactured housing in Knox, PA in 2022. From metal frame creation, plumbing and electrical, to kitchen counter installation, almost every step of the development process is completed within the modular factory. The remaining stages include stacking the modular units, connecting the hallways between each modular home, installing appliances, and creating community amenities on site. Greystar's Modern Living Solutions modular factory and its affiliates are focused on design-conscious and cost-effective modular apartments by combining vertically integrated development, construction, and property management businesses with factory operations, allowing for control of the entire value chain. It is expected that modular development and repetitive, standard community designs will allow the Fund to develop these assets at a lower cost basis than traditional site-built projects, with better product quality and earlier asset profitability. The Manager also anticipates that delivery of modular units will be up to 50% faster than traditional construction, as production is expected to commence concurrently with land closing.

Fund I will have a national scope while leveraging Greystar's local presence and market knowledge to source and execute attractive development opportunities. The target location of landsites will be within submarkets that offer commutes of less than 30 minutes to healthcare, education, public safety, and industrial employment nodes. Modular projects will be located in markets within a 500-mile radius of a modular housing factory. Site-built development properties will be located throughout the US, as long as they are within approximately 30 miles of another Greystar managed property. Greystar currently operates one modular unit factory in northwest Pennsylvania and expects modular developments to initially be concentrated in the Mid-Atlantic and Northeast regions.



The Manager will operate both modular and site-built properties while implementing cost-saving measures such as virtual leasing agents, area supervisors that manage several Greystar properties, and floating maintenance professionals.

Terms

As of January 2025, Greystar has raised approximately \$490 million since fundraising efforts commenced in May 2024. Firm and individual senior team members have committed almost \$65 million of the \$490 million.

Greystar has implemented favorable management fees of 1.0% (vs. a more typical 1.5%) of committed capital to “kick-start” the new strategy. The Fund has an 8% preferred return, 20% carried interest structure with a 50/50 catch-up provision. Development and property management fees paid to a Greystar affiliate are in lieu of fees that would otherwise be paid to a third-party property management company.

Historical Fund Performance as of September 30, 2024

Greystar began sponsoring investment vehicles in 1994. Funds II, III, IV, V, and VI were non-discretionary joint ventures, each with a single investor. Fund VII through Fund XI are commingled funds that exhibit the flagship fund series strategy of investing in value-add multifamily properties. Fund VII through Fund X are underperforming the top quartile non-core benchmark that includes all property types. Fund’s VII, VIII, and IX are fully realized, and generated solid net IRRs ranging between 12.7% and 20.0%. While these realized returns were in line or better than target returns for each fund, all three were below top quartile for their respective vintages. It is of note that the Essential Housing Fund I is the first commingled fund to invest in modular multifamily development. The flagship fund series referenced above exhibit value-add repositioning strategies and, starting with Fund X, include site-built development strategies in the U.S. Since 2010, Greystar has developed 107 properties and 32,600 units across the U.S. The realized development investments have returned a total gross IRR of 19.3%, net IRR of 16.6%, gross multiple of 1.8x, and net multiple of 1.6x.

Recommendation

Meketa recommends a commitment of \$25 million from ERSRI, and \$750,000 from OPEB, to Greystar Essential Housing Fund as part of the respective non-core real estate portfolios. The Fund’s opportunistic risk profile and multifamily focus support the objective of diversifying ERSRI’s non-core holdings with sectors benefiting from favorable demographic trends. The investment is consistent with the role of non-core real estate within the Private Growth section of the Plans’ portfolio.