



**TO:** The Employee Retirement System of Rhode Island and the Other Pension Employee Benefits Plan  
**FROM:** Meketa Investment Group  
**DATE:** March 22, 2023  
**RE:** Greystar Equity Partners Fund XI

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On behalf of the 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 Equity Partners Fund XI (the “Fund” or “GEP XI”) and its sponsor, Greystar Real Estate Partners (“Greystar” or the “Firm”). The opportunity is being considered as part of the Plans’ Non-Core real estate allocation, within the Private Growth class. The Fund’s value-add risk profile and multifamily sector focus support the objective of diversifying ERSRI’s non-core holdings with sectors supported by favorable 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

The Greystar Equity Partners Fund XI is a value-add, closed-end Fund targeting residential properties in US markets. The Fund may incur indebtedness up to 65% loan-to-cost on an asset-level basis. GEP XI targets 11% to 12% net levered IRR returns.

## Organization

Greystar is one of the largest real estate multifamily developers and managers by units managed in the United States. The Firm was founded in 1993 and has since grown to a full-service platform and maintains a presence nationally and expanding globally. Greystar is headquartered in Charleston, SC and employs over 20,000 professionals within property management, investments, and development teams across its 66 regional and local offices across the United States, United Kingdom, Europe, Australia, China, South America, and Mexico. The Firm manages more than 768,000 apartment units and/or beds across over 220 markets, with nearly 700,000 of those in the U.S.. Greystar Real Estate Partners has four wholly owned subsidiaries that provide integration of investment management, property management, development, and construction management. Every subsidiary but the investment management arm provides services to both Greystar-sponsored investments as well as



third party clients with the majority of the three revenues generated from fees paid by unaffiliated third parties.

## Equity Partners Fund XI Strategy

The Fund will invest in value-add multifamily, student housing, active adult, purpose-built single-family rentals, and select development opportunities. Targeted investments will typically be existing institutional-quality, Class A or B communities built between the 1970s and mid-2000s that could be improved through renovation or repositioning programs and property management upgrades. While Greystar's Equity Partner series' strategy has largely remained consistent, the Manager has refined the strategy by adjusting allocation exposure across markets and introducing selective exposure to alternative residential asset types and development. GEP XI may invest up to 20% in alternative residential types such as build-to-rent single-family rentals, student housing, and active adult properties. The Fund may also develop garden-style, suburban residential properties in its target markets that are "shovel-ready" and have minimal-to-no entitlement risk.

The Fund will invest in primary and secondary markets in the United States as well as select tertiary markets. Greystar's market selection process includes consideration of the following macro trends: scale (sizable economy, robust population, target demographics, and liquidity), growth (economic, employment, demographic, and income growth and net migration), and risk (housing regulatory environment, home price volatility, recession resilience, and liquidity). GEP XI estimates a 30% investment allocation to gateway markets and 70% investment allocation to growth markets.

The Fund will seek 70 to 75 assets that are approximately \$35 million to \$45 million of equity per asset. The Fund will have controlling interest in all investments with most assets wholly owned. In selective instances, GEP XI may offer co-investments. GEP XI is targeting a gross levered IRR of 14% to 16% and net of 11% to 12%, 50% - 55% of which is expected to come from income and 45% - 50% from appreciation.

## Status and Terms

Fund XI has raised \$1.15 billion to date and has a \$3.0 billion hard cap. The General Partner will commit 3.0%, up to \$75 million, to the Fund. The management fee is 1.50% of commitments during the Investment Period and 1.50% of invested capital thereafter. The Fund has an 8% preferred return, a 20% carried interest structure, and a 50% / 50% catch-up provision calculated on a whole-fund basis, which are in line with market standards.

The GP will also generate fee income through services performed by one or more of its affiliates, including property management, construction management, development management, redevelopment, and general contractor services. 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.



## Fund Performance

### Greystar Discretionary Track Record As of September 30, 2022

Fund	Vintage Year	Invested (\$M)	Realized Value (\$M)	Total Value (\$M)	Net Multiple (X)	Net IRR (%)	Top Quartile <sup>1</sup> Net IRR (%)
GEP I	1994	31	59	59	1.9	22.0	23.8
GEP III	2001	303	354	354	1.2	21.1	24.4
GEP VII	2012	584	1,039	1,039	1.8	20.1	21.1
GEP VIII	2013	737	1,207	1,207	1.6	12.5	25.3
GEP IX	2016	1,087	1,854	1,854	1.7	14.3	24.0
GEP X	2019	1,555	203	2,232	1.4	22.8	31.4
<b>Total</b>		<b>4,243</b>	<b>4,601.7</b>	<b>6,788.4</b>			

The vehicles listed in the table above represent funds that followed a conventional US multifamily, value-add investment strategy in a discretionary format, therefore representing the most relevant track record for Fund XI.

## Recommendation

Meketa recommends a commitment of \$20,000,000 should be considered for ERSRI and \$600,000 for OPEB, as part of its non-core real estate portfolios. The Fund's value-add risk profile and sector focus support the objective of diversifying ERSRI's non-core holdings, increasing exposure to multifamily properties, and is consistent with the role of core real estate within the Private Growth sections of the Plans.

<sup>1</sup> Preqin, North America Value-Added & Opportunistic Real Estate, Top Quartile. As of 9/30/2022.