

CROW HOLDINGS

Strategic liquidity evolved

Gina Spiegel and Ira Shaw introduce Partner Solutions, a new investment business for Crow Holdings

Gina, Ira, you each departed from investment roles at a secondaries investment firm three years ago. What drove your decision to leave, and what have you been up to since?

Gina Spiegel: In 2021, we took a new step in our careers to pursue an investment opportunity we felt was not being adequately addressed within the real estate market. Real estate is a capital-intensive strategy that is funded through illiquid partnership structures. That combination creates a broad range of challenges for real estate entrepreneurs and capital allocators. We, therefore, decided to launch a business focused on solving those challenges with the goal of unlocking value for our partners and investors.

For the past three years, we have been building this business with the support and partnership of Crow Holdings. While our early days were focused on forming a business plan, setting up an office and building a team, we quickly transitioned to sourcing opportunities and investing. We describe our investment strategy as “strategic liquidity solutions,” and we named our investment business Partner Solutions.

It sounds as if you are in the business of fixing problems. How complicated are these problems, and can you provide a few examples?

Ira Shaw: Real estate investing, much like life, can occasionally deviate from the original plan. Partnerships can run into challenges that get in the way of accomplishing their business plan. Here are some examples:

Misalignment: The partners no longer want the same thing. For example, one partner wants to spend money to improve a building, but another wants to sell.

Insufficient capital: The partners no longer have enough money to accomplish their business plan.

Insufficient time: The partners no longer have enough time to accomplish their business plan.

Growth challenges: The partners would like to unlock value by scaling their business but lack either the capital or resources to do so.

Did you feel you would be unable to address these problems working at a secondaries investment firm?

Shaw: This question gets to the difference between an investment format and an investment strategy. Secondaries is a very specific investment format focused on the purchase of a stake in a real estate private equity fund from the original investor in a secondary market sale. The range of partnership problems that arise within the real estate sector requires a range of investment formats and

solutions. You wouldn't trust a plumber who shows up to fix a leak armed with only a hammer. We would be equally constrained if we approached each transaction by trying to fit it into a “secondaries” format. Every investment opportunity is unique and requires both structuring creativity and property-level expertise. Growth capital, GP-level equity, direct property recapitalizations, secondary acquisitions, preferred equity and structured financings are several of the tools at our disposal to address partnership challenges. Across all such investment formats, the objective is the same: Approach each opportunity as a solutions provider to unlock value for our partners.

How would you characterize the size of the market opportunity that you are pursuing?

Spiegel: We look at several metrics to understand the depth of the market opportunity, one of which is the sheer size of the real estate private equity market. There is more than \$1.2 trillion of global net asset value outstanding in private equity real estate vehicles according to private market research firm Preqin – nearly \$700 billion of which is invested in North America alone. There are more than 10,000 real estate sponsors globally, of which approximately 6,400 are located in the United States. These statistics help contextualize what we observe to be a very deep market opportunity that has allowed us to maintain an active transaction pipeline. In fact, recapitalization transactions are one of several transaction formats we utilize, and research firm CoStar has reported an average of \$30 billion of recapitalization transactions annually in the United States and Canada alone, from 2021 through 2023.

How did Crow Holdings come to launch this strategy with you?

Spiegel: Crow Holdings shared a similar vision with us when launching Partner Solutions. In 2020, under CEO Michael Levy's leadership, the firm was looking to build on the success of its long-standing investment management and development platforms. At that time, these businesses were coming across unique opportunities to provide GP-level capital and other forms of liquidity to third-party sponsors. From Michael's perspective, such opportunities revealed a way to expand Crow Holdings' investment business, known as Crow Holdings Capital, and it became a matter of finding the right partners to develop the platform.

We have been fortunate to work with Michael and the Crow Holdings team to build Partner Solutions. By launching this program within a tenured and fully resourced real estate platform, we have been able to bolster both our sourcing network and diligence process. From a sourcing perspective, not only are Ira and I actively in the market, but Crow Holdings has a national presence, with 19 offices across the country, that

frequently generates transaction leads. As an owner, operator and developer of 68 million industrial square feet since 2013, and 286,000 residential units nationally since 1977, we benefit from real-time access to local property data and capital markets activity, which is an important part of our underwriting process.

During the past three years, shared values and vision have provided a foundation on which to build Partner Solutions. Our colleagues across the firm quickly grasped our role as a strategic liquidity provider and the potential for Partner Solutions to enhance the firm's investment capabilities. They have been instrumental in helping us to expand our network and market awareness. This collaborative approach is inherent in Crow Holdings' culture and is fundamentally built into the firm's core value of partnership.

Is Partner Solutions an extension or evolution of secondaries investing? How do your investors think about the strategy in the context of their real estate portfolios?

Shaw: While secondaries are among our investment capabilities, we believe the strategy we pursue reflects the culmination of what we have learned throughout our real estate careers. Gina and I have had similar career paths. We each started our careers in capital markets roles (I worked in structured finance for an investment bank, and Gina, in real estate lending). We later pivoted to direct real estate investing at global investment firms until eventually landing at a secondaries investment firm.

The experiences from earlier in our careers have provided us with a range of tools we utilize as investors at Partner Solutions.

For example, earlier in my career, I worked on financing the growth of a movie production studio by leveraging its existing film library as collateral. Today, Partner Solutions has utilized similar financing structures to assist real estate sponsors, operators and developers in scaling their businesses with growth capital. Similarly, Gina and I have incorporated elements of our experience as direct and indirect real estate investors into our strategy. With that context, we believe Partner Solutions reflects an evolution of indirect investing. It requires a breadth of resources: direct investment underwriting experience, asset management capabilities, sourcing across multiple real estate channels, and structuring technology and creativity.

Our investors look to us to access special opportunities they are unable to access or source through their core real estate allocations. We take a tactical approach to transaction sourcing and seek to provide excess risk-adjusted returns by unlocking value in liquidity constrained partnerships. We go to work every day to try to fix the problems and challenges that arise in real estate partnerships. Value creation is a byproduct of solving for these challenges. Through our execution, we seek to deliver diversification, excess return and access to high-quality sponsors through investment structures that foster alignment.

Market innovation requires an investment in resources and human capital, and we are fortunate to be in a position where we have partners, including Crow Holdings, willing to make that investment over the long term.



Ira Shaw
Senior Managing Director, Co-Head
Partner Solutions

Ira Shaw is a senior managing director and co-leads the Partner Solutions investment program of Crow Holdings Capital, which provides customized liquidity solutions to property operators, real estate fund sponsors and institutional investors.

Shaw joined CHC in 2021, with a tenured career in real estate investing and structured finance, having invested more than \$4 billion in direct and indirect real estate strategies, including the management of real estate investment resources, and the structuring and negotiation of real estate secondary acquisitions and preferred equity financings. Prior to joining Crow Holdings Capital, Shaw served as a partner and member of the real estate investment committee at Landmark Partners.



Gina Spiegel
Senior Managing Director, Co-Head
Partner Solutions

Gina Spiegel is a senior managing director and co-leads the Partner Solutions investment program of Crow Holdings Capital, which provides customized liquidity solutions to property operators, real estate fund sponsors and institutional investors.

Prior to joining CHC in 2021, Spiegel was a managing director at Landmark Partners where she was responsible for sourcing and executing indirect real estate investments, including secondaries, primaries and special situations.

CROW HOLDINGS

Crow Holdings is a leading real estate investment and development firm founded in 1948 and based in Dallas. With 19 offices across the United States, Crow Holdings' local, on-the-ground presence amplifies its hands-on capabilities across a broad range of investment strategies, product types and ventures in partnership with institutional investors.

Crow Holdings has \$33 billion in assets under management; one of the largest multifamily and industrial development platforms in the nation; investments across the energy sector, including solar and battery-storage projects; and a broad, diversified investment portfolio, pursuing compelling investment opportunities to capitalize on evolving, secular growth potential.

For 75 years, Crow Holdings' success has been rooted in its founding principles of partnership, collaboration and alignment of interests. For more information, please visit: www.crowholdings.com.

This article presents the authors' opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product.

Copyright © 2024 by Institutional Real Estate, Inc. Material may not be reproduced in whole or in part without the express written permission of the publisher.