Agenda Item 13a

State of New Jersey

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ELIZABETH MAHER MUOIO
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Director

October 23, 2025

MEMORANDUM TO: State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Proposed Real Estate Investment – Hillwood US Industrial Club VII, LP**

The Division of Investment (the "Division") is proposing an investment of up to $100 million in Hillwood US Industrial Club VII, LP (the "Fund"). This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Well-resourced, Experienced Platform: Hillwood is a vertically integrated real estate investment platform encompassing 444 professionals in total. The firm's senior leadership team is cycle-tested with an average of 38 years of industry experience and 29 years of tenure at Hillwood on average.

Strong Alignment of Interests: The Division's interest as an investor and Hillwood's as the investment manager are highly aligned. Hillwood is a privately held investment manager that prioritizes sustainable, long-term growth over shorter term stock price or management fee revenue growth. The Fund boasts a market-leading GP commitment of $62.5 million, or 5% of the target fund size, ensuring that Hillwood has a meaningful incentive to deliver strong performance.

Stellar Performance & Track Record: Hillwood has invested in U.S industrial real estate since its founding in 1988 and has sponsored institutional investment vehicles since 2011. The firm's historical performance compares favorably to U.S industrial-only strategies managed by competitors as well as U.S non-core real estate benchmarks.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its real estate consultant, Hamilton Lane, undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures.

The Fund utilized Jones Lang LaSalle Securities, LLC (the "placement agent") as third-party solicitor in connection with the potential investment. Staff has determined that the placement agent and its representatives met the registration, licensing and experience requirements set forth in the Division's Placement Agent Policy (the "Policy"). Pursuant to the Policy, the Fund has disclosed the contract between the Fund and the placement agent, specifying the scope of services to be performed by the placement agent and the fee arrangement between the placement agent, the general partner and any other third party

The Division's Corporate Governance team completed a review of Hillwood's Environmental, Social, and Governance efforts in accordance with the State Investment Council's ESG Policy. Hillwood has adopted a Responsible Investment Policy. This policy outlines how ESG factors are incorporated into investment due diligence, selection, and management processes.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 71 of the Council's regulations. Hillwood US Industrial Club VII, LP is considered a non-core real estate investment, as defined under N.J.A.C. 17:16-71.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC, and a meeting of the IPC was held on 10/20/2025. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's October 29, 2025 meeting.

Attachment

Hillwood U.S Industrial Club VII, LP

- **DOI Commitment**: up to $100 million

- **Strategy**: Non-Core Real Estate

- **Investment Focus**: The Fund will aim to construct a diversified portfolio of institutional-quality U.S industrial real estate assets through one-off acquisitions of existing properties and ground-up developments. Equity checks are anticipated to range from $5 million to $35 million per investment.

- **Target Returns**: 14-16% net returns

- **Investment Thesis**:
  - Well-resourced, Experienced Platform
  - Portfolio Fit
  - Strong Alignment of Interests
  - Stellar Performance & Track Record
  - Favorable Management Fee

Fund Name: Hillwood US Industrial Club Fund VII — October 23, 2025

Contact Info: Greg Kostka; 3000 Turtle Creek Boulevard, Dallas TX 75219

Fund Details:

Total Firm Assets:	$5.8 billion
Strategy:	Industrial Real Estate
Year Founded:	1988
Headquarters:	Dallas, TX
GP Commitment:	Up to $65 million

Key Investment Professionals:

Ross Perot Jr. serves as Chairman of The Perot Companies, which manages the various Perot family interests that include real estate, oil and gas, and financial investments. Mr. Perot is also Chairman of Hillwood, a Texas-based, leading global real estate development company he founded in 1988.

Todd Platt is Chief Executive Officer serving all of Hillwood's industrial, residential, and investment businesses in locations outside of AllianceTexas. Todd entered the industrial real estate business in the Dallas/Fort Worth market in 1981. Since joining Hillwood in 1999, Todd has been involved in sale/lease and development transactions valued at over $20 billion.

Tal Hicks oversees the creation and growth of the company's division to develop and acquire industrial properties in locations other than Hillwood's flagship property, AllianceTexas. Before joining Hillwood, Tal was employed for 11 years as a principal with Trammell Crow Company. Previously, he worked as a C.P.A in the tax division of Arthur Andersen & Company.

Bob Vicente is an Executive Director for Hillwood's multinational industrial development and investment business. Bob is a voting member of the Firm's investment committee, plays an active role in capital formation, and is a strategic advisor to the Firm. Previously, Bob has served as the Firm's CIO, COO, and CFO. Before Hillwood, Bob had CFO experience in the multifamily sector and corporate finance experience in public markets. From 1986 to 1999, Bob served in the United States Coast Guard.

Investment Summary

The Fund intends to construct a diversified portfolio of institutional-quality industrial real estate assets through a combination of acquisitions of existing assets and ground-up developments. Investments will be primarily be located within the U.S.

Existing and Prior Funds

Funds	Vintage Year	Strategy	Net Returns
Hillwood Industrial Fund I	2011	Industrial	17.6% IRR; 1.42x MOIC; 1.42x DPI
Hillwood Industrial Fund II	2014	Industrial	22.0% IRR; 1.65x MOIC; 1.64x DPI
Hillwood Industrial Fund III	2016	Industrial	24.6% IRR; 1.52x MOIC; 1.52x DPI
Hillwood Industrial Fund IV	2017	Industrial	43.5% IRR; 2.04x MOIC; 1.96x DPI
Hillwood Industrial Fund V	2019	Industrial	30.8% IRR; 1.67x MOIC; 1.08 DPI
Hillwood Industrial Fund VI	2021	Industrial	3.3% IRR; 1.06x MOIC; 0.09x DPI

Source of Returns - Hillwood

IRR = Internal Rate of Return; MOIC = Multiple on Invested Capital; DPI = Distributions to Paid-In

Vehicle Information:

Inception:	2024	**Auditor:**	KPMG LLC
Fund Size :	$1.5 billion hard cap	**Legal Counsel:**	Haynes Boone LLP
Management Fee:	1% on Invested Capital		
Incentive Fee:	20% over an 8% preferred return		
Additional Expenses:	100% Management Fee Offset		

NJ AIP Program

Recommended Allocation ($mil.):	$100 million	Yes
% of Fund:	6.67%	Yes
		Yes
		Yes
		Yes

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.