



Opportunistic Real Estate Fund Commitment

Blackstone Real Estate Partners VII, L.P.

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Private Markets and Real Estate

Blackstone Real Estate Partners VII, L.P.

Overview

- Fund size: \$10 billion (no hard cap)
- Opportunistic real estate fund targeting a broad range of real estate and real estate-related investments, focused primarily on the US and Canada
- Founded in 1985, Blackstone Group has total assets under management of approximately \$128.1 billion (\$62.5 billion in real estate and private equity and \$65.6 billion in credit and marketable alternatives)
- Blackstone employs approximately 750 employees globally, of which 116 are Senior Managing Directors

Fund Strategy

- Focus on acquiring high quality assets by targeting large, complicated situations where competition is limited:
 - distressed and/or undermanaged properties at below market price
 - execute a strategy to fix the issues and then sell to core buyers at higher values

Investment Team

- Real Estate team headquartered in New York and London
- 169 professionals located in the US, UK, Continental Europe, and Asia

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GP “Value Add”

- Consistent Team – eight most senior investment professionals have an average tenure at Blackstone of 17 years
- Consistent Strategy – “buy it, fix it, sell it”
- Consistent Investment Process – limits risks and allows team to take advantage of the intellectual capital across the firm

Performance

- Pre-BREP (1991) net 2.1 MOIC and 33.4% net IRR
- BREP I (1994) net 2.4 MOIC and 39.7% net IRR
- BREP II (1996) net 1.8 MOIC and 18.7% net IRR
- BREP III (1999) net 2.0 MOIC and 21.5% net IRR
- BREP IV (2003) net 1.4 MOIC and 15.8% net IRR
- BREP V (2006) net 1.3 MOIC and 8.3% net IRR
- BREP VI (2007) net 1.2 MOIC and 8.3% net IRR

Market Opportunity

- Improving economy and real estate demand
- Very limited new supply
- Significant distress remains in the system
- Limited Opportunistic Capital, especially for large transactions

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History with PSERS

- PSERS has previously committed to BREP V, BREP VI, BREP Europe III

Board Issues

- Pennsylvania Presence – No Blackstone corporate offices
 - BREP V and VI – 159 owned/leased/managed properties within 9 platform investments – consist of hotel, office, leisure, senior living and industrial
- Placement Agents – No placement agent used in respect to PSERS' commitment; however Blackstone utilizes an affiliate, Parkhill Real Estate, to raise other 3rd party capital
- PA Political Contributions – None
- Relationship with Consultant – No

Recommendation

- Staff, together with Courtland Partners Ltd., recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$300 million plus reasonable normal investment expenses

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