



Opportunistic Real Estate Fund Commitment

Carlyle Realty Partners VI, L.P.

June 9, 2011

Charles J. Spiller, Managing Director,
Private Markets and Real Estate

Carlyle Realty Partners VI, L.P. – Opportunistic Real Estate Fund

Overview

- Fund size: \$2 billion (hard cap)
- Opportunistic real estate fund targeting a broad range of real estate and real estate-related investments, focused primarily on US markets
- Founded in 1987, The Carlyle Group is a global private equity firm which has invested more than \$61 billion of equity in over 900 corporate and real estate transactions
- Carlyle employs approximately 888 employees, including 421 investment professionals, across 27 offices in 19 countries

Fund Strategy

- Focus on acquiring high quality assets at discounts to replacement cost that, when repositioned, will generate high cash yields to equity
 - Target markets include Washington DC, New York City, Northern and Southern California
 - Focus on single-property transactions

Investment Team

- Real Estate team based in Washington, DC
- 68 professionals located in offices in Washington, DC, New York and Los Angeles
- Since inception, US real estate team has invested over \$5.2 billion of equity in over 130 real estate transactions

Carlyle Realty Partners VI, L.P. – Opportunistic Real Estate Fund

GP “Value Add”

- Leadership– eight most senior investment professionals have an average tenure at Carlyle of over 11 years
- Strong Sponsorship – well-capitalized firm which has sponsored more than 66 active investment funds
- Consistent Strategy – very little “creep”, focused on what they do well
- Well-Disciplined – the debt is on individual assets only with no cross collateralization on more than one fund asset which mitigates fund-level recourse and guarantee obligations

Performance

- CRP I (1997) 1.5 net MOIC and 15% net IRR
- CRP II (1999) 1.4 net MOIC and 9% net IRR
- CRP III (2000) 1.9 net MOIC and 30% net IRR
- CRP IV (2004) 0.8 net MOIC and -11% net IRR
- CRP V (2006) 1.0 net MOIC and 1% net IRR

Market Opportunity

- Improving economy and real estate demand
- Very limited new supply
- Significant distress remains in the system
 - Property owners unable to pay or refinance short-term debt
- Limited Opportunistic Capital = Limited Competition
- Tremendous opportunity to “manufacture” core properties and sell into a very liquid market

Carlyle Realty Partners VI, L.P. – Opportunistic Real Estate Fund

History with PSERS

- PSERS has previously committed to Carlyle CRP III, CRP IV, CRP V and CERP III (Europe)

Board Issues

- Pennsylvania Presence – No Carlyle corporate offices
 - CRP Funds own two properties in Philadelphia, PA – Chestnut Hill (senior living) and Greystar Rushwood/Winchester (multifamily)
- Placement Agents – None used for institutional investors; however Citi Private Bank is used for high net worth investors
- 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 \$200 million plus reasonable normal investment expenses

NOTICE: This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.