



Value-Added Real Estate Fund Commitment

AREA Value Enhancement Fund VIII, L.P.

March 14, 2013

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AREA Value Enhancement Fund VIII, L.P. – Value-Added Real Estate

Overview

- Fund size: \$750 million target
- Value-added real estate fund
- Founded in 1993, AREA Property Partners has invested more than \$14.3 billion of equity across Value-Add, Opportunistic, Debt and Institutional Joint Ventures strategies
- Formerly known as Apollo Real Estate Advisors, AREA Property Partners ended its affiliation with Apollo Global Management in February 2009
- Senior leadership averages 35 years of investment experience
 - Strong track record of investing in commercial real estate through multiple cycles

Fund Strategy

- Target 15-18% gross IRR and 8-10% current yield, with target 50-60% LTV
- Substantial portion of total return derived from current income
- Focus on major supply-constrained and growth markets
 - Well-diversified economies with well-developed transportation networks
- Construct a portfolio of multifamily, industrial, hotel, retail and office assets that have the potential to produce substantial market liquidity at exit
- Capture value through acquisition and create value through intensive asset management
- Sell once business plan is successfully accomplished

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AREA Organization

- Headquartered in New York, with offices in Atlanta, San Francisco and Purchase, NY
- Dedicated team of 9 value-added professionals; 21 years average experience and 7 years working together
- Supported by a team of 22 additional investment professionals and 21 marketing, reporting and accounting, legal and compliance professionals

GP “Value Add”

- Proven value-add experience since 1993 with \$3.6 billion of equity invested in 172 transactions across the VEF series
- “Bricks and Mortar” investment style focused on major property types and liquid markets
- Deep experience in all aspects of real estate investing, including acquisitions, structuring, operations, lending, legal, finance and account

Performance

- AREA VEF VII (2008) 1.7x net MOIC and 14.1% net IRR

Market Opportunity

- Distress, Deleveraging and Recapitalization
- High-quality assets with deferred maintenance issues
- Limited capital available for assets in need of repositioning through active asset management

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History with PSERS

- PSERS previously committed to AREA Real Estate Finance Corporation (\$150 mm), AREFIN Co-Investment Corporation (\$83 mm), AREA European Real Estate Fund III (€100 mm) and AREA VEF VII (\$150 mm)

Board Issues

- Pennsylvania Presence
 - AREA's VEF funds currently holds positions in the following:
 - **Resource Portfolio** – multifamily properties in Philadelphia
 - **200 West Stewart Huston** – industrial property in Philadelphia
- Placement Agents – No placement agent used in respect to PSERS' commitment; however AREA utilizes Parkhill to raise capital, primarily in Europe
- PA Political Contributions – None
- Relationship with Consultant – No

Recommendation

- Staff, together with Courtland Partners Ltd., recommends that the Board invest an amount not to exceed \$75 million plus reasonable normal investment expenses

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