



# Real Estate Value-Added Fund Commitment

## Beacon Capital Strategic Partners VI, L.P.

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# Beacon Capital Strategic Partners VI, L.P.

## Value-Added Real Estate

### Overview

- This value-add Fund specializes in office properties
- Beacon has over 60 years of hands-on experience in the real estate industry
- Target gross IRR is 18% - 20%

### Fund Strategy

- The investment strategy focuses on the acquisition, development, and management of office properties in select supply-constrained markets
- Emphasis is placed on targeting markets with a strong knowledge base
- Up to 50% may be invested outside of the U.S., mostly Western Europe, 10% of which may be in other markets
- Pennsylvania Presence – Beacon has not invested in PA real estate for over 10 years. Beacon's strategy is focused on a select set of 9 cities; Boston, Los Angeles, New York, San Francisco, Seattle, Washington D.C., London, Paris and Luxemburg

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## Value-Added Real Estate

### Investment Team

- Beacon has 68 real estate professionals, including 17 Senior Managers who have over 20 years experience in all aspects of real estate investing
- Over Beacon's 60+ years of experience, they have invested in 83 deals with a total cost of \$28.6 billion

### GP "Value Add"

- Beacon has a global platform established with an experienced and cohesive team, focused on relationships and exit strategies
- Beacon lowers risk relative to other value-add funds by utilizing financing strategically
- There is significant alignment of interest with Beacon investing \$100 million into Fund VI

### Performance

- Beacon's first three funds had the following net realized IRRs as of 3/31/08: I = 15.0%; II = 47.4%; III = 49.1%
- The equity multiples for Funds I, II, and III are 1.2x, 2.6x, and 2.3x

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### Market Opportunity

- The current market is a favorable environment for value-add opportunities
- The credit markets are currently favoring Beacon's strategy of using moderate leverage
- Historical research shows that Beacon's investment strategy and targeted markets should outperform the overall market

### History with PSERS

- PSERS has a \$200 million commitment to their \$4.04 billion Fund V
- PSERS also had \$200 million available for co-investment opportunities, but will not be used

### Recommendation

- Staff, together with Courtland Partners, 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 in Beacon Capital Strategic Partners VI, with an additional \$200 million commitment available for a co-investment fund

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