

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

DATE: June 21, 2007

SUBJECT: Real Estate Disposition
3355 W. Alabama, Houston TX

TO: PSERS' Finance Committee/Board

FROM: Charles J. Spiller *CJS*
Director of Private Markets and Real Estate

On October 27, 2006, The PSERS Board approved the recommendation to allow the Advisor, L&B Realty, to market for sale the Houston office building known as 3355 W. Alabama. The marketing and bidding process ended May 30, 2007. Staff recommends that negotiations take place with the high bidders with the goal of completing a sale.

3355 W Alabama is a 12-story 234,231 square foot office building in a suburb of Houston called Greenway Plaza. The property has experienced a very high vacancy rate over the last few years. This was partially due to economic events what caused a large amount of vacant space to come onto the market, as well as property specific events where two large tenants vacated the building because 3355 W. Alabama could not meet their space needs. Recently, the market has started to recover and the amount of available large floor plate spaces has diminished. In addition, there are positive changes in the capital market due to the increased interest by value added partnerships in Houston opportunities within a certain vacancy range.