

Value Added Real Estate Fund Commitment

AvalonBay Value Added Fund II, L.P.

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AvalonBay Value Added Fund II, L.P. – Apartment Fund

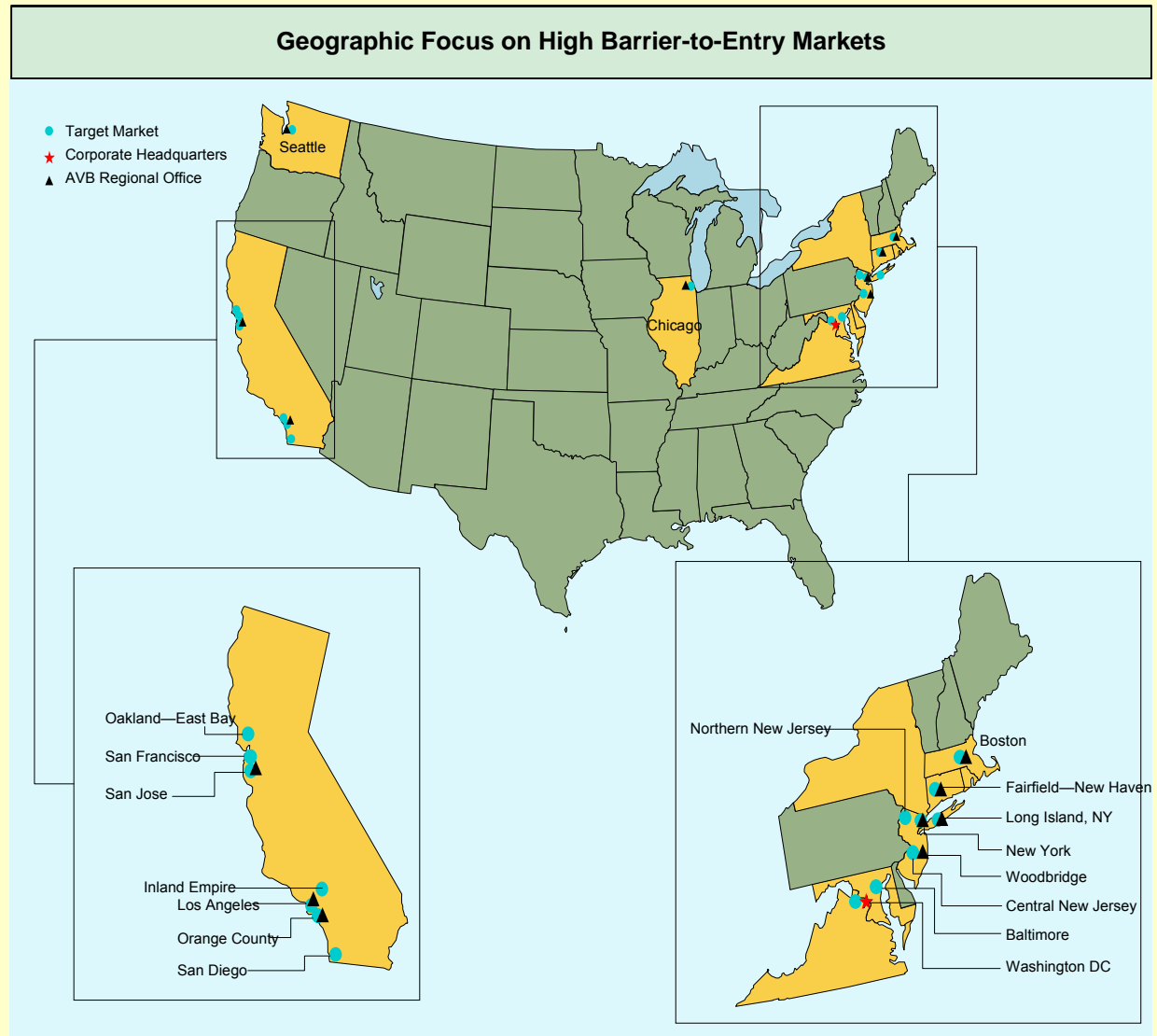
Overview

- Fund size is \$500 million
- Acquisition of multifamily apartment communities
- Value enhancement strategy through acquisition, redevelopment, and management
- Focus on select, high barrier-to-entry markets in the U.S.

High Quality Sponsor Experienced in Top Performing Markets

As of 09/30/07:

- Publicly traded REIT with total market capitalization of \$12.5 Bn
 - Conservative balance sheet
 - S&P BBB+/Moody's Baa1
- AvalonBay organization
 - HQ in Alexandria, VA
 - 10 regional offices
 - 17 target markets
 - Approx. 1,800 employees
- 182 apartment communities containing 51,898 apartments in 10 states and D.C.



Source: AvalonBay

AvalonBay Value Added Fund II, L.P. – Apartment Fund

Fund Strategy

- Emphasis on redevelopment, enhanced operations, and market cycle opportunities
- Fund has exclusive access to the sponsor's pipeline, a \$12.5 billion public REIT
- Pennsylvania Presence – none to date due to the Pennsylvania REIT tax laws

Investment Team

- A team of 11 professionals is dedicated to fund activities
- The fund has access to the resources of the sponsor with its 1,800 employees and \$12.5 billion market capitalization

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GP “Value Add”

- The sponsor has over 20 years experience creating value through the same strategy (AvalonBay Communities Inc)
- GP has an extensive network to enhance sourcing, repositioning, and liquidations

Performance – (12/31/07)

- Fund I included 20 apartment communities with \$813 million of total invested capital, using 62%-65% leverage
- Fund I’s projected net IRR is 13.0% with a 2.1x multiple (unrealized)

Market Opportunity

- Favorable apartment fundamentals with strong demand and constrained supply
- Sponsor has a long track record of long-term cash flow out performance through higher occupancy rates and rental growth

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History with PSERS

- This would be PSERS second fund with AvalonBay
- PSERS' REIT portfolios have \$38.2 million invested in the sponsor's public REIT

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 \$100 million plus reasonable normal investment expenses

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