



# Real Estate Value-Added Fund Commitment

## Cabot Industrial Value Fund III, L.P.

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# Cabot Industrial Value Fund III, L.P.

## Value-Added Real Estate

### Overview

- Fund size is capped at \$700 million
- LPs are limited to no more than a \$50 million commitment
- Fund invests in industrial properties in the U.S., with a 10% maximum non-U.S. exception
- Cabot has invested \$4 billion in 443 investments since 1988

### Fund Strategy

- Focus on acquisition, development, redevelopment, and manage industrial properties
- Targeted investments are value add in nature and tend to be smaller in size than most value add funds (\$10.1 million average size)
- Pennsylvania Presence – Since 1998 Cabot acquired 7 PA assets totaling \$50 million and a \$26 million land development parcel. PA continues to be a target market

### **Growing Demand**

- Long-term growth in population and inventories
- Tenant shift to suburbs

### **Fragmented Ownership**

- Relatively low level of institutional ownership
- Favorable pricing for smaller assets

## Attractive Risk-Adjusted Returns

### **Predictable Supply**

- Short development cycle
- “Finished Land” inventory largely absorbed
- Resilient in-fill markets

### **High Current Income**

- Very low expense levels:
  - Capital
  - Operating
  - Re-tenanting
- Favorable lease structures

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### Investment Team

- The Fund has a dedicated team of 16 professionals
- The team has an average of 20 years in the real estate industry and 13 years with Cabot

### GP “Value Add”

- Cabot has been active in the industrial arena for over 25 years
- They are able to capitalize on a large network of national relationships as well as extensive local market relationships

### Performance

- They have invested over \$3 billion since 1998 on a discretionary basis
- Since 1998, they have liquidated over 74% of the investments producing a gross levered IRR in excess of 25%
- The bulk portfolio sale of Fund I assets produced a multiple of 2.2x and a net IRR to the investors of 120%

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### Market Opportunity

- Long-term growth in population is a positive for the industrial sector
- The industrial sector normally provides a light level of current income
- The short development period and limited desirable land helps make supply more predictable

### History with PSERS

- PSERS traded assets for 5.5 million shares of the public Cabot company in 1998. These were tendered in 2001 at a gain of \$22 million and a net IRR of 11.34%

### Recommendation

- Staff, together with Courtland Partners, recommends that the Board invest an amount not to exceed \$100 million plus reasonable normal investment expenses

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