



# COMMERCIAL REAL ESTATE

THIRD QUARTER

2018



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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The Commercial Real Estate Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Commercial Real Estate category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

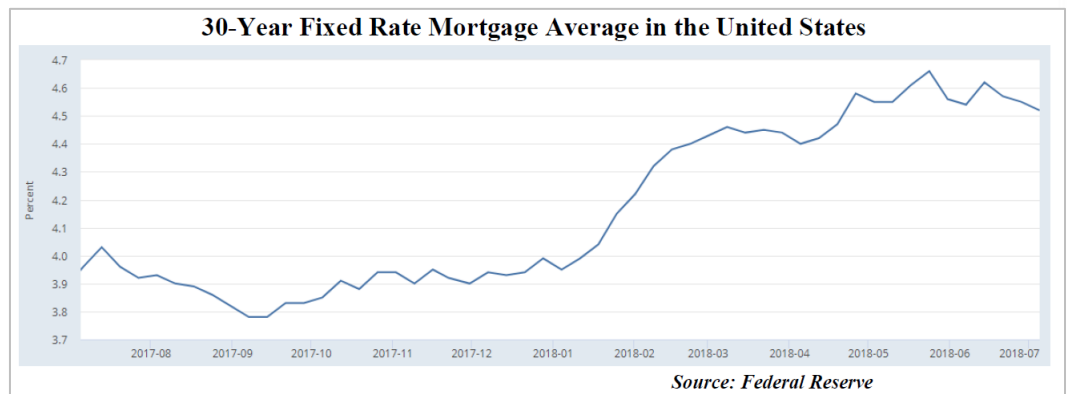
## Commercial Real Estate M&A

M&A activity for North American based target companies in the Commercial Real Estate sector for Q2 2018 included 57 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in June when industry leader CBRE Group, Inc., diversified its services by acquiring FacilitySource LLC from Warburg Pincus LLC for US\$290 million in cash.

The acquisition

strengthens CBRE's ability to deliver integrated solutions for occupier clients. Founded in 2005, FacilitySource is located in Columbus, Ohio and provides outsourced integrated facility support services.



The 30-year fixed rate mortgage in the United States steadily rose in 2018 but began to decline slightly toward the end of Q2, which could spur activity in the commercial sector.

## Transactional Overview

Notable closed lower middle market transactions for the period in the Commercial Real Estate sector include:

**May 2018** - Harbor Associates, LLC of Long Beach acquired Del Mar and Rancho Bernardo office buildings in separate transactions. In a joint venture with the Irvine-based Bascom Group, LLC, Harbor Associates bought the 36,631 square-foot Del Mar building at 2010 Jimmy Durante Blvd. for \$15.7 million. Harbor Associates will renovate and rename the two-story building as The Bungalows. Partnering with Denver-based Ascentris, Harbor Associates bought The Pinnacle building in Ranch Bernardo at 10920 Via Frontera for an undisclosed price. Harbor and Ascentris plan to renovate the 110,110 square-foot building.

April 2018 - The Lightstone Group LLC, a subsidiary of The Descartes Systems Group Inc, acquired Hilton Garden Inn from Hilton Hotels & Resorts, a subsidiary of Hilton Worldwide Holdings Inc, for US\$60 million in cash. The consideration was financed through a US\$35 million five-year loan from Western Alliance Bank. The transaction expands The Lightstone Group's hospitality portfolio. Constructed in 2015, Hilton Garden Inn is located in Long Island City, New York and operates as a 183-room hotel.

April 2018 - Bluegreen Vacations Corp, a subsidiary of BBX Capital Corp, acquired The Eilan Hotel & SpA for US\$34.3 million in cash. The acquisition was funded through

National Bank of Arizona. The acquisition leverages Bluegreen Vacations Corp's existing marketing platforms and enhances its growth opportunities. The Eilan Hotel & SpA is located in San Antonio, Texas and owns and operates hotels.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Colonial Downs LP	Peninsula Pacific Strategic Partners LLC;
Hunt CMT Equity LLC	Five Oaks Investment Corp.
Ventura Basin Oil & Gas Assets	Carbon California Co. LLC
Ebby Halliday Real Estate, Inc.	HomeServices of America, Inc.; Berkshire Hathaway Energy Co.
Heritage Properties SPC	William Raveis Real Estate, Mortgage & Insurance LLC
Kalson's Hospitality, Inc. /3 Hotels/	Tishman Select Partners
Caribe Homes LLC	Related ISG Realty LLC
Phoenix Property Management, Inc.	Sentry Management, Inc.

## Industry Update

A new rule recently implemented by US regulators will reduce by nearly a third the number of commercial property sales needing an independent appraisal, according to Realtor Magazine. The rule, adopted by the Federal Reserve Board, Federal Deposit Insurance Corp., and Office of the Comptroller of the Currency, exempts commercial property sales of \$500,000 or less from having to have an independent appraisal. Previously, appraisals were required on deals valued at \$250,000 or higher. Appraisals may cost between \$2,000 to \$4,000 each, and the move could mean significant savings for commercial real estate brokers. Some have criticized the change, saying the loosening of restrictions creates conditions ripe for a new financial crisis, while those supporting the change say it brings greater flexibility and efficiency to the process.

## Industry Indicators

- US corporate profits, an indicator of commercial real estate demand, rose 4.3% in the first quarter of 2018 compared to the same period in 2017.
- The bank prime loan rate, which indicates changes in the rates available for real estate financing, was 4.75% as of the week of June 13, 2018, up from a rate of 4.25% the same week in 2017.
- The value of US nonresidential construction spending, a driver for commercial real estate brokerage and management demand, rose 5.1% year-to-date in April 2018 compared to the same period in 2017.

The Commercial Real Estate Industry Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Commercial Real Estate Practice Group provides advice on a wide range of financing vehicles for commercial real estate owners, investors, and developers. Recent projects include Office, Industrial, Retail, Medical Office, Hospitality, Multi-family, Adult Independent Living, Student Housing, and Project Financing. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

