

COMMERCIAL REAL ESTATE

FIRST QUARTER

2019

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

According to data released by Ten-X Commercial, a leading transaction platform for commercial real estate, commercial real estate transaction volume totaled \$143.9 billion in the third quarter, up 24.6% from the second quarter and 22% from the prior year.

Retail real estate sector deal volume increased to \$20.7 billion following a two-year decline. The bump marks its highest total since late 2014, driving increases in overall transaction volume. Office and apartment transaction volume accounted for a combined 58.1% of third quarter deal volume after climbing 15.3% and 14.2% from a year ago. Retail transaction volume saw the greatest year-over-year increase by 90% to \$28.4 billion, the highest level on record.

Commercial capitalizations rates continue to decline across commercial sectors as real estate values have increased.

Transactional Overview

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

November 2018 - Namdar Realty Group, LLC acquired Jackson Crossing Ave from Ramco Jackson Crossing Spe, LLC for US\$22.3 million. Namdar Realty Group provides real estate services. The company was founded by Igal Namdar and Elliot Nassim in 1999 and is headquartered in New York, NY. Jackson Crossing Ave operates as retail stores. The company is headquartered in Jackson, MI.

October 2018 - Summit Hotel Properties, Inc. acquired Residence Inn by Marriott Boston Watertown for US\$71 million. The acquisition enhances Summit Hotel Properties' diversified portfolio of hotels. Founded in 2016, Residence Inn by Marriott Boston Watertown is located in Massachusetts.



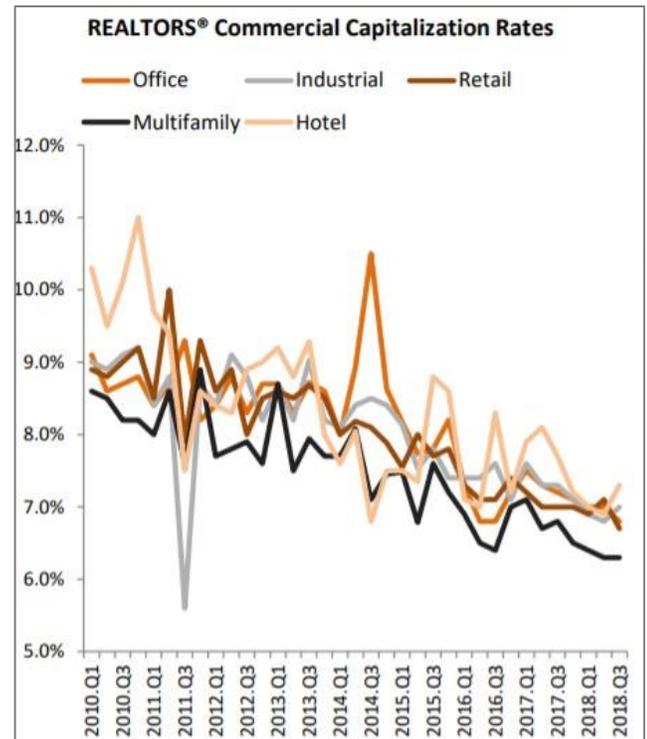
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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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October 2018 - Wright by the Sea 1901, LLC, a subsidiary of National Realty Investment Advisors LLC, acquired Wright Southern, Inc., trading as Wright By the Sea for US\$25 million in cash. The transaction was funded by Ares Commercial Real Estate. The acquisition would allow Wright by the Sea 1901 to expand its service offerings. Southern owns and operates private resort. It offers private beach, cabanas, outdoor activities, pavilion and other amenities for customers. The company was founded in 1950 and is headquartered in Delray Beach, FL.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Douglas Elliman Realty LLC	New Valley LLC
Lingerfelt Commonwealth Partners LLC	AD1 Global Hotels LLC
InterContinental Hotels Group Plc / Holiday Inn Boston	Joy Construction Corp.; AWH Partners LLC; Madd Equities LLC InterContinental Hotels Group
Waldorf Astoria Atlanta Buckhead	Xenia Hotels & Resorts, Inc.
Condominium Concepts Management, Inc.	FirstService Corp.
CEDA REALTY - PLANO LLC	BHH Affiliates LLC; Berkshire Hathaway Homeservices
Access Self Storage, Inc.	StorageVault Canada, Inc.
The Altman Cos., Inc.	BBX Capital Corp.

Industry Update

About two-thirds of corporate real estate companies are increasing their investment in real estate technology, known as "proptech," to create smarter workspaces, according to a new study by French management firm Oresys. More than 78% of companies in the Asia/Pacific region; 62% of companies in the Americas; and 50% of companies in Europe, the Middle East, and Africa plan to increase investments in real estate technology. The top technologies that companies plan to implement by 2021 include wayfinding apps (navigational tools designed for a building or physical space), sensors to monitor workspace occupancy, and predictive analysis in asset and portfolio management. Having tech-connected, flexible workspaces could help companies recruit Gen Y employees, nearly 80% of whom consider the quality of a workspace as a key factor in choosing a potential employer. The up-and-coming and most digitally connected generation, Gen Z, will also have high expectations for a connected workspace.

Industry Indicators

- US corporate profits, an indicator of commercial real estate demand, rose 10.3% in the third 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 5.25% as of the week of December 12, 2018, up from a rate of 4.5% the same week in 2017.
- The value of US nonresidential construction spending, a demand indicator for real estate, rose 5.2% year-to-date in October 2018 compared to the same period in 2017.
- The value of US residential construction spending, a key indicator of real estate demand, rose 4.9% year-to-date in October 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.

