

COMMERCIAL REAL ESTATE

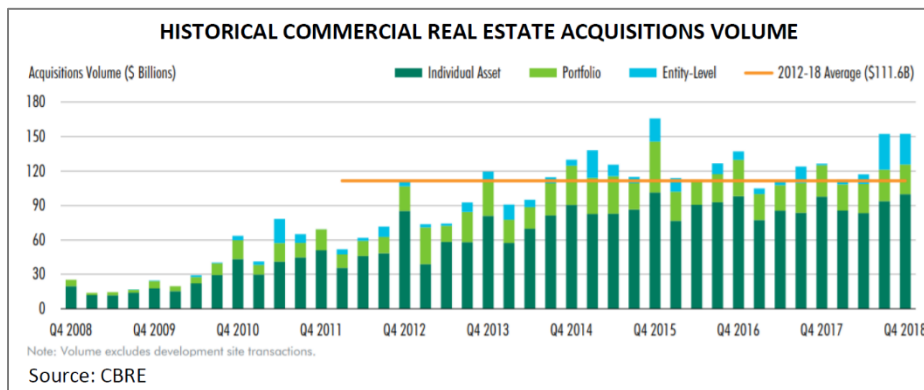
SECOND QUARTER

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 CBRE, a leading commercial real estate firm, commercial real estate investment volume rose 20.6% year-over-year in Q4 to \$152.4 billion. Total investment for the year was \$534.8 billion, a sizable increase of 14.8% from 2017.



The largest investment in Q4 was in the major metro markets of New York, Los Angeles and the San Francisco Bay Area. Those three regions accounted for 27.7% of all investment dollars. Additionally, the top-15 markets accounted for 64.4% of total Q4 investment volume.

Commercial real estate acquisition volume in Q4 approached record highs over the past decade driven, in part, by loose debt markets.

Transactional Overview

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

January 2019 - New Market Properties LLC, a subsidiary of Preferred Apartment Communities Operating Partnership LP Preferred Apartment Communities Inc, acquired Hollymead Town Center for an undisclosed amount in cash. The acquisition was fund through mortgage loan. Hollymead Town Center is located in Virginia and owns and operates shopping malls.



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March 2019 - Shidler Equities LP, a subsidiary of Shidler Equities Corp, acquired the remaining 86.2% stake not yet owned Pacific Office Properties Trust, Inc. for US\$3 million in cash. Under the terms of the agreement, Shidler Equities paid US\$1.25 cash for each outstanding senior common share sought and US\$0.01 for each outstanding class A and B shares. Pacific Office Properties Trust is located in Honolulu, Hawaii and operates as a real estate investment trust, which owns and operates institutional office properties.

March 2019 - Livingston Properties, Inc. acquired the 105,487 square foot retail center Olde Mill Plaza for an undisclosed amount. The center is 91% leased as of the sale period. Olde Mill Plaza is located in Georgia, the United States and operates shopping center. Livingston Properties provides real estate services. The firm offers commercial properties for lease purpose, residential properties and development services. The company is headquartered in Warner Robins, GA.

Industry Update

Empty stores and shopping centers are increasingly being converted into warehouse and e-commerce distribution centers, according to a new report from global industrial real estate firm CBRE. Demand for warehouse space is resulting in historically low vacancy rates, while hundreds of store closures by national big-box retailers and department store chains have created new opportunities for nonretail users to move in. The CBRE report examined retail-to-industrial projects in 24 markets ranging from southern California to Baltimore and found that since 2016 some 7.9 million square feet of retail space turned into 10.9 million square feet of new industrial space, either by converting the existing retail structure or replacing it with new industrial construction on-site. Projects include the total demolition of obsolete malls to be rebuilt as warehouses, and the repurposing of retail structures after store closures, including a former Toys 'R' Us now occupied by a business that remanufactures transmissions, and conversions of 12 Sam's Club's stores to distribution centers.

Industry Indicators

- US corporate profits, an indicator of commercial real estate demand, rose 7.4% in the fourth 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 5.5% as of the week of March 14, 2019, up from a rate of 4.75% the same week in 2018.
- The value of US nonresidential construction spending, a driver for commercial real estate brokerage and management demand, rose 4.7% year-to-date in January 2019 compared to the same period in 2018.

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, e-Commerce, 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.

