



MERGERS, ACQUISITIONS, AND
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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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COMMERCIAL REAL ESTATE

THIRD QUARTER

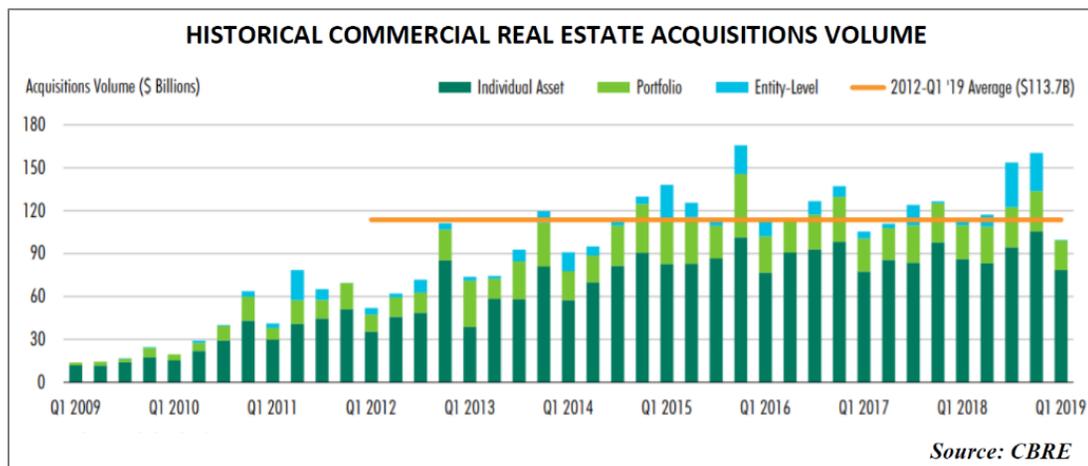
2019

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 decreased by 12.7% year-over-year in Q1 to \$99.6 billion. However, trailing four-quarter volume increased by 11.6% year-over-year, the second-highest rate since 2015.

Capitalization rates for the quarter declined slightly by 15 bps.



Commercial real estate acquisition volume lagged in Q1 driven by a rise in interest rates and pricing expectations.

Transactional Overview

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

May 2019 - Alexander & Baldwin, Inc. acquired Queens' MarketPlace LLC for US\$90 million. Alexander & Baldwin engages in the provision of real estate business. Queens' Marketplace operates shopping malls. The marketplace presents collection of boutiques, galleries, shops and services and food court. The company was founded in 2007 and is headquartered in Waikoloa, HI.

May 2019 - Hospitality Properties Trust acquired Crowne Plaza Milwaukee West from InterContinental Hotels Group, Plc for US\$30 million. Hospitality Properties Trust is a real estate investment trust that provides services in hospitality and in travels. Crowne Plaza Milwaukee West owns and operates hotels. It provides services for healthcare, technology and industrial sectors. The company was founded in 2008 and is headquartered in Wauwatosa, WI.

May 2019 - Montecito Medical Real Estate acquired Murfreesboro Medical Properties, LLC for an undisclosed amount. Montecito Medical Real Estate engages in the provision of healthcare-related real estate acquisitions and development. Murfreesboro Medical Properties, part of Montecito Medical Real Estate, located in Nashville, TN, provides medical office buildings.

Industry Update

More office developers and landlords are adding high tech features to buildings as tenants expect the latest advances, according to a recent report in the New York Times. Amenities include high speed telecommunications infrastructure, interactive video screens, and smart windows with glass that tints automatically as the sun gets brighter. Landlords may provide mobile apps that allow employees to use their smartphones to control occupancy, daylight, and temperature. In turn, building operators can monitor data and adjust airflow or increase janitorial services. New types of audiovisual systems, such as video screens for sharing content, account for the largest cost increase in office design in recent years, according to real estate services company CBRE. Five years ago, audiovisual costs averaged \$5 per square foot; now, it's common for developers to spend \$10 to \$20 per square foot on the systems. In a competitive market, building owners and managers can use high tech amenities to command premium rents. However, a key drawback to digitally-enabled offices is that such connectivity can create security risks.

Industry Indicators

- US corporate profits, an indicator of commercial real estate demand, rose 3.1% in the first quarter of 2019 compared to the same period in 2018.
- The value of US nonresidential construction spending, a driver for commercial real estate management demand, rose 6.0% year-to-date in April 2019 compared to the same period in 2018.
- US corporate profits, an indicator of corporate demand for real estate rose 3.1% in the first quarter of 2019 compared to the same period in 2018.
- The bank prime loan rate, which indicates changes in the rates available for real estate financing, was 5.5% as of the week of June 13, 2019, up from a rate of 5% the same week 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.

