

# COMMERCIAL REAL ESTATE

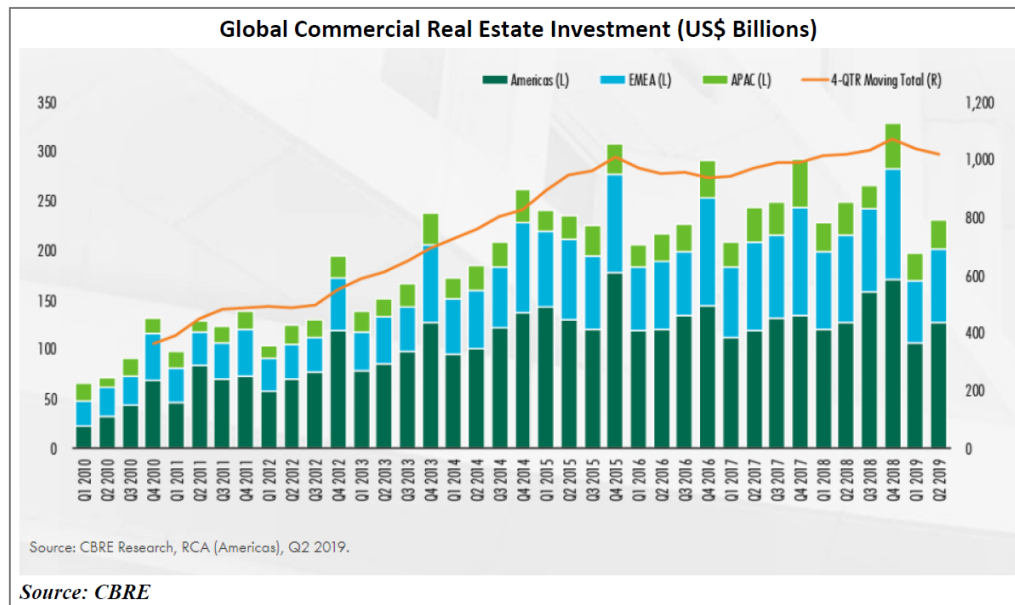
FOURTH QUARTER

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, global investment volume totaled US\$428 billion in H1 2019, down by 10.6% from H1 2018. The Americas was the only global region with year-over-year investment volume growth (+0.7% to US\$128 billion) in Q2. Americas' transaction volume totaled US\$235 billion in H1, down 5% from H1 2018.



There was an increase in office transactions in Q2, though the industrial and hotel sectors leveled off. The most active U.S. sector was multifamily.

## Transactional Overview

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

**September 2019** - Clutter Inc. acquired The Storage Fox, Inc. for US\$152 million in cash. The transaction expands capabilities within the respective market. The Storage Fox is located in Yonkers, New York. Its four self-storage properties are located throughout the New York metropolitan area.



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**August 2019** - A private group led by a joint venture between Deutsche Finance America LLC, BLG Capital Ltd and SHVO, Inc., acquired South Seas Hotel for US\$52 million. The acquisition would expand the business portfolio of the buyers. South Seas Hotel is located in Miami Beach, Florida and operates as a hotel.

**July 2019** - Blackstone Group LLC, a subsidiary of Black Stone Operations LLC, and ultimately owned by LHC Group, Inc., acquired Three Broward County Hotels from RLJ Lodging Trust for US\$43.2 million in cash. The

transaction will expand Blackstone Group's footprint in South Florida. RLJ Lodging Trust is based in Miramar, New York.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Travilah Square Shopping Center	InvenTrust Properties Corp.
155 East Tropicana LLC	Oravel Stays Pvt Ltd.
Owl Management LLC	Westward360, Inc.
Hyatt Place Philadelphia/King of Prussia	Oakhurst Advisors LLC; Gehr Hospitality LLC;
Chase 'N Rainbows Real Estate, Inc.	Castle Vacation Rentals Hawaii LLC
The Wendy'S Co. /Five Restaurants	Meritage Hospitality Group, Inc.
Stowe Area Realty LLC	Keller Williams Realty, Inc.
JKW Holdings LLC	Mobile Mini, Inc.

## Industry Update

REITs may find growing opportunity in residential home loans investment as the federal government limits its involvement in the market. REITs are a small but growing part of the \$11 trillion mortgage market as the government's role in mortgage bonds has lessened, according to a recent report in the Wall Street Journal (WSJ). Per the WSJ, real estate investment trusts focused on residential home loans boosted their portfolios by nearly 30% to \$308 billion in March 2019 compared to the previous year. This amounted to the biggest stockpile in six years, according to an analysis of 15 REITs by industry research firm Inside Mortgage Finance. Companies driving the growth include Annaly Capital Management and AGNC Investment Corp. REITs are on pace to have an even bigger 2019 after raising \$6.2 billion in equity to increase their investment portfolios in 2018 – the most raised in five years, according to Dealogic. However, mortgage REITs have produced mixed results in recent years; they are more sensitive to interest rate changes and tend to perform better when interest rates are falling.

## Industry Indicators

- The bank prime loan rate, which indicates changes in the rates available for real estate financing, was 5.25% as of the week of August 13, 2019, up from a rate of 5% the same week in 2018.
- The value of US nonresidential construction spending, a demand indicator for real estate, rose 5.0% year-to-date in June 2019 compared to the same period in 2018.
- The value of US residential construction spending, a key indicator of real estate demand, dropped 7.8% year-to-date in June 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.

