

COMMERICAL REAL ESTATE

FIRST QUARTER

2020

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.



MERGERS, ACQUISITIONS, AND
CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

Corporate Finance Associates
23461 South Pointe Drive
Suite 180
Laguna Hills, CA 92653

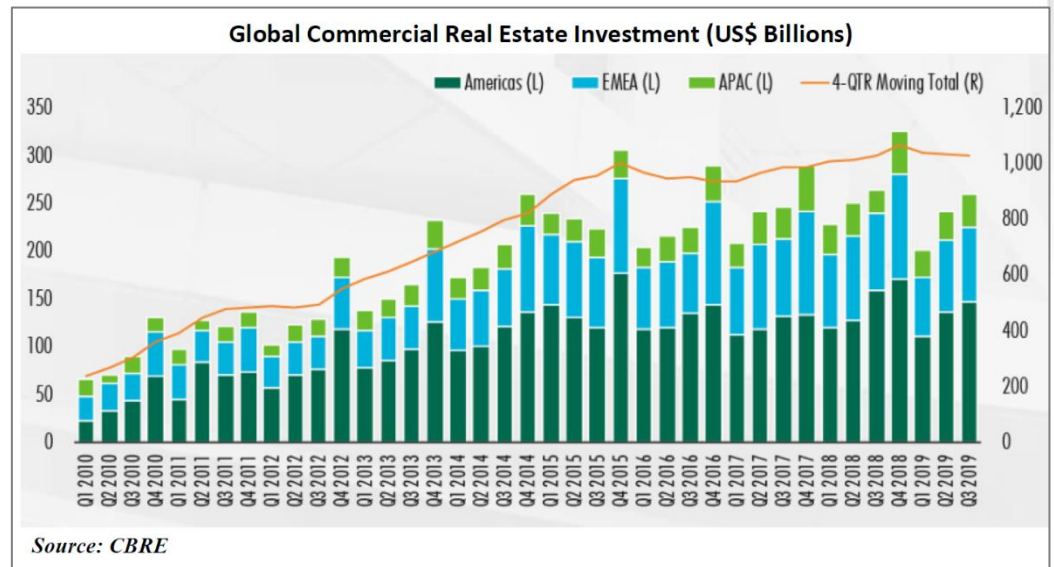
For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

info@cfaw.com
www.cfaw.com

Commercial Real Estate M&A

According to data released by CBRE, a leading commercial real estate firm, global investment volume totaled US\$260 billion in Q3 2019, up by 7% over the previous quarter but down by 2% from Q3 2018. The U.S. recorded a relatively soft third quarter due to political uncertainty, low yields and some recession fears.

Investment volume in the Americas declined by 17% year-over-year an, mainly driven by lower volumes in Canada and the U.S.



Transactional Overview

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

December 2019 - Everest REIT Investors I LLC acquired a minority stake in Industrial Property Trust, Inc. via tender offer. Everest REIT Investors operates as a real estate investment company. The company was founded in 2015 and is headquartered in Pasadena, CA. Industrial Property Trust operates as a real estate investment trust that acquires and operates high-quality distribution warehouses that are leased to corporate customers.

November 2019 - Snoqualmie Indian Tribe acquired Salish Lodge & Spa from Muckleshoot Indian Tribe for US\$125 million in cash. Snoqualmie Indian Tribe is a non-profit organization that engages in the operation of Snoqualmie Casino. Salish Lodge operates as a hotel resort.

Its facilities include a spa that consists of massage rooms, skin care treatment rooms, hydrotherapy rain and steam rooms, dry sauna and therapy soaking pools; dining rooms; restaurants; hotels; gold club; cafe; meeting rooms; and wedding venues. The company was founded in 1916 and is headquartered in Snoqualmie, WA.

October 2019 - Magnetar Capital Partners LP acquired a 66.5% majority stake in Crisp39 SPV LLC from Consolidated-Tomoka Land Co for US\$97 million in cash. Magnetar Capital Partners provides financial management services. Crisp39 SPV engages in the development of land development projects. The company is headquartered in Daytona Beach, FL.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Savannah Oaks Apartment, Inc.	Benjamin E. Sherman & Sons, Inc.
Tristar Realty, Inc.	HomeSmart International LLC
Condolux, Inc.	Condo-World Resort Properties, Inc.
Berry Town Center Property Owners' Association, Inc.	Preferred Apartment Communities Operating Partnership LP;
Carstensen Homes LLC	Regency Builders, Inc.
Realty One Triad, Inc.	Alta Financial Services, Inc.; Howard Hanna Real Estate Services, Inc.
Reata Real Estate Services LP	CBRE Group, Inc.
Kimpton Hotel & Restaurant Group LLC / Chicago/	Service Properties Trust; The RMR Group, Inc.

Industry Update

Small and mid-sized banks have been increasing their market share of commercial real estate lending, while larger banks have decreased their share, according to a report from Fitch Ratings. Small and mid-cap banks under \$100 billion held 78% of the market share on construction loans at the end of 2018 compared to 56% at the end of 2008. Smaller banks are using relationships with mortgage brokers to do more loans outside their geographical marketplace and are aggressively going after deals. Smaller banks tend to have fewer regulatory hurdles and more flexibility with taking on risk compared to larger banks. Industry experts note that multi-family properties are popular with smaller banks, while industrial developments pose more risk due to their speculative nature. Smaller banks may struggle during a downturn with an added exposure to commercial real estate holdings if they are over-leveraged, have less diversified holdings, and are not able to absorb losses, according to Fitch.

Industry Indicators

- The bank prime loan rate, which indicates changes in the rates available for real estate financing, was 4.75% as of the week of December 16, 2019, down from a rate of 5.25% the same week in 2018.
- The value of US nonresidential construction spending, a demand indicator for real estate, rose 2.2% year-to-date in October 2019 compared to the same period in 2018.
- The value of US residential construction spending, a key indicator of real estate demand, dropped 7.1% year-to-date in October 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.

