



COMMERCIAL REAL ESTATE

SECOND QUARTER

2018



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

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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.

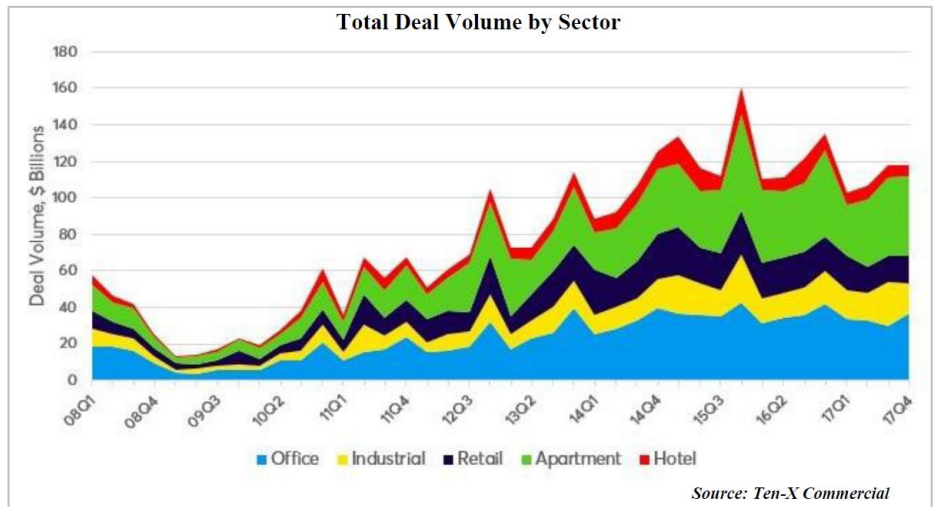
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The Commercial Real Estate Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the 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 edged down to \$117.4 billion in Q4 2017 representing a 0.5 percent decline from the prior quarter.

Following two quarters of growth, the minor drop can be linked to a \$6.7 billion decline in deal volume in the industrial sector. In comparison to the same period a year earlier, investment activity plunged by 13.2 percent.



Transactional Overview

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

March 2018 - 236 Butler Street Corporation and LCR acquired 641 President Street and 682 Union Street (between Fourth and Fifth Avenues) in New York City for \$12.6 million. The two properties, consisting of three interconnected buildings, together offer a cap rate of 5.1 percent. Two of the buildings, adding up to 13,850 square feet, are at the 641 President Street address. A mixed-use, 25-foot-wide, five-story elevator building there, completed in 2001, features four market-rate apartments – two one-bedrooms and two two-bedrooms – as well as a vacant ground-floor retail space, once a cafe and juice bar. A long hallway from it leads into the second building, a fully occupied 17-unit, two-story 1920 office building.

March 2018 - Iconiq Capital acquired a \$196M Stake in the 90-year-old Taj Boston Hotel. A group of investors including New England Development, Eastern Real Estate, Rockpoint Group, Lubert-Adler and Highgate originally acquired the 273-room hotel in 2016 for \$125 million, and will retain an interest in the asset. The new partnership plans to execute a major capital improvement program that will include a comprehensive renovation of guestrooms, public areas and food and beverage outlets.

January 2018 - Los Angeles-based American Realty Advisors acquired a 64,000-square-foot building in Palo Alto, CA from a joint-venture between Oakland-based The Minkoff Group and a fund managed by JPMorgan Asset Management for \$138 million. The property at 385 Sherman Ave. is occupied by Visa and was purchased by American Realty entity SVF Sherman Palo Alto. The price reflected a value of \$2,165 per square foot in an all-cash deal.

Industry Update

Commercial real estate management companies may seek to add more diversified-use tenants to their mall properties as mall-based retailers continue to struggle. Malls are expanding their food and entertainment options as large department store chains continue to struggle, according to a new JLL report. The report, which examines 90 super-regional and regional malls that are currently undergoing or have completed renovations over the last three years, found that 41% of malls added food and beverage offerings. Of those malls, 55% also added entertainment options. Malls are adding "experiences" to attract new consumers, especially millennials who are not as interested in shopping. Some 43% of malls are turning to nonretail uses to fill empty retail space, adding diverse options including offices, hotels, fitness centers, call centers, medical centers, and education programs. About 20% of malls are dedicating space to the community with open green spaces and kid-friendly areas, and 22% of malls are "de-malling," or demolishing space to go toward the best use in the community.

Industry Indicators

- US corporate profits, an indicator of commercial real estate demand, rose 5.4% in the third quarter of 2017 compared to the same period in 2016.
- The value of US nonresidential construction spending, a driver for commercial real estate management demand, rose 3.3% year-to-date in January 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 4.5% as of the week ending March 9, 2018, up from a rate of 3.75% the same week in 2017.

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.

