

Case Study: Pacific Coast Property Management

Multi-Asset Industrial Investment Sale, Lease Mitigation

Assignment

The assignment for this partnership of private investors consisted of three primary areas of brokerage and advisory service:

- Review client's portfolio and create timelines for development and sale of each real estate asset to determine peak market values attainable for each
- Explore joint venture and partial portfolio sale models to ascertain fit with client's business expansion plans and forecast for capital needs in existing business operations
- Sell those listed for disposition quickly to curb the impact of rising capitalization rates/falling values on equity positions

Challenges

The primary 120,000 SF asset to be sold featured many physical challenges for both user and investor underwriting, including: a 'B' location, angled walls, high site coverage, heavy Local Improvement District (LID) fees road and bio swale maintenance burdens. Several tenancies in the building clouded the investment by virtue of unwillingness or inability to pay market rents, contracting business plans, heavy industrial uses, complaints about industrial emissions, and unfinished construction within certain spaces. In addition, Split M-1/M-2 zoning confused the marketplace as to the how the leasing and tenant mix should be handled over a long horizon.



Another 15,000 SF asset also listed for disposition was functionally obsolescent due to antiquated design (circa 1920 construction), railroad easement encroachments, lack of loading area and environmental contamination due to its history as a war morgue.

Results

The Investment Sale Team leveraged both in and out of state buyers to achieve a sales price of \$7.86mil (\$65.50/SF) for the 120,000 SF building. Concerns regarding this larger asset were eliminated by structuring a master lease that was securitized by the Tenant. The smaller asset (a 15,000 SF building) was sold for near \$100/SF to an expanding owner/user in the area that could function on the site regardless of the loading and other challenges.

Our client immediately deployed proceeds to the acquisition of competing businesses in their operating business core product lines, as well as other out-of-state real estate ventures.