



AMA Plastics Sale Leaseback
1100 Citrus Ave, Riverside, California

Single User Sales Surge 45.4%; Investors Focus on Sale Leasebacks, Strong Corporate Facilities

Investors continue their search for fully leased, well located industrial facilities, spending \$13.2 billion on 1,158 single user industrial properties across the U.S. in 2017. Those investment sales for 2017, totaling 171.4 million square feet, represents a 45.4% increase from the previous year. The total for Q1 2018 reached \$2.03 billion, including 187 properties, totaling 26 million square feet.

While the Q1 2018 sales represent a 1.1% dip on a yearly basis, compared with Q1 2017, the level of activity is significant -- and expected to continue through 2018. Many of these transactions are sale leasebacks, a specialized transaction driven by an appealing cap rate environment and a focus on monetizing corporate facilities.

"Many corporations are realizing the tremendous benefits of sale leasebacks, which allow companies to generate capital for business expansion and general expenses," comments Erik Foster, Avison Young Principal and leader of the firm's national industrial capital markets group. "These types of single user sales are particularly attractive to investors, as they provide long-term stability through the triple net lease structure."

Most Active Markets for Single User Sales

City	2016	2017
Los Angeles	1.5 B	1.2 B
Las Vegas	14 M	1.0 B
New York City	653 M	897 M
San Francisco	1.1 B	841 M
Greensboro	2 M	452 M
Philadelphia	181 M	451 M
Chicago	721 M	449 M
Dallas	212 M	404 M
Boston	223 M	388 M
Raleigh	53 M	346 M
Miami	346 M	337 M

Erik Foster

Principal, Practice Leader - Industrial Capital Markets
erik.foster@avisonyoung.com | 312.273.9486

Mike Wilson

Principal, Industrial Capital Markets
mike.wilson@avisonyoung.com | 312.273.9487

NOTABLE SALES


MAY 2018

Supervalu announced plans to sell eight distribution centers, totaling 6.2 MSF, to an undisclosed buyer for \$483 million. The sale leaseback transactions are in: Chicago, IL, Green Bay, Wis., Harrisburg, Pa., Pompano Beach, Fla., and other markets.


MAY 2018

Belden, Inc. completed a sale leaseback of its 223,500 SF facility at 1200 Columbia Ave., Monticello, KY for an undisclosed price.


APRIL 2018

AMA Plastics Riverside completed a sale leaseback at 1100 Citrus Ave., Riverside, CA. The 300,000 SF building sold for \$40.4M.

TOP BUYERS (Q1 2016 TO Q1 2018)

Company	Location	Amount
Blackstone	New York, NY	\$1.8 B
Fireside Investments	New York, NY	\$1.4 B
BC Partners	Ashland, OR	\$619 M
Medina Capital	Coral Gables, FL	\$619 M
CyrusOne	Carrollton, TX	\$490 M

SOURCE:
Avison Young Research and Real Capital Analytics

Most Active Markets for Single User Sales

Los Angeles was the top market for single user sales in 2017, with \$1.2 billion, followed by Las Vegas, with \$1 billion, and New York City, with \$897 million. Among the growth markets from 2016 to 2017 were Greensboro, which jumped from \$2 M to \$452 M; Philadelphia, \$181 M to \$451 M; Dallas, \$212 M to \$404 M; Raleigh, \$53 M to \$346 M; and Miami, \$206 M to \$337 M.

Why Complete a Sale Leaseback?

Many companies that operate industrial facilities are turning to sale leasebacks as a means of fully monetizing their real estate. The company retains full control of the facility and gains funds that can be allocated for supply chain modernization, product line growth, or other general expenses. Many owners of facilities may use debt to partially monetize their real estate, but sale leasebacks allow owners to monetize 100% of the value while maintaining full control of the asset. This is particularly attractive for companies with well-located facilities that are considered "mission critical" to their operations. They are highly stable assets from an investment perspective and function as an annuity-type of investment.

Tax Reform Momentum

Due to tax law changes, many corporations are looking deeper into how these sale leasebacks will affect their company's financial health. There are two types of leases that can be created, a Finance Lease, and an Operating Lease. Both appear on a company's balance sheet, yet they are expensed differently. The Finance Lease uses interest and amortization, while the Operating Lease uses a straightline method. While there are many different nuances to these structures, many corporations are using these two methods to their advantage.

Cap Rates

Depending on the credit quality of the tenant, these transactions can be aggressively priced, with cap rates in record levels in many markets. At Q1 2018, the average cap rate nationally was 5.8%. The investor appetite is strong because the tenants lease their facilities for typically long periods of time, as many users will want to control the facilities for a long period of time, as if they still owned the property. This makes for a stable investment and one that is attractive to many

Recent Sale Leaseback Activity

The Avison Young team is actively involved in single user sales, including sale leasebacks, on a national basis. Among the sale leaseback transactions they have completed are:

Gehl Foods -- a 745,236 SF portfolio in Milwaukee market. The team focused on the food grade quality of the facilities and the tenant's growth potential to overcome large manufacturing infrastructure and older facilities.

NorWesCo -- a 324,220 SF sale leaseback to help company monetize building, which was an institutional quality asset in a core location in the Seattle market.

The Electromac Group -- Cross-border sale leaseback of a 224,841 SF, 5-building portfolio in Ontario, Canada and Kentucky, USA. Negotiated lease and closed within 30 days despite challenging building fundamentals and sellers' requirement to find one buyer.