

CASE STUDY #4

CREATIVE SOLUTIONS TO CREATE AND PRESERVE VALUE

Property: Business Drive

Address: 10509 Business Drive
Fontana, CA

Square Feet: 139,879 SF

Location: Located in Western Inland Empire in direct proximity to the intersection of the I-10 and I-15 freeways, within 10 minutes of Ontario Airport, in the Sierra Gateway Business Park.

Key Team Members

Eric Burney, Principal
Daum Commercial Real Estate
(Leasing Agent)



The property was acquired on 3/22/05 as a direct acquisition. The property had formerly been a distribution center for Staples, and was repositioned to a 2-tenant building. The purchase price of \$7,001,013 (+/- \$52.68/SF) was a good price for a functional second generation building in the Western Inland Empire.

Key Asset Management Accomplishments

- The Inland Empire was hard hit in the great recession. In 2007/2008 tenants were under significant financial pressure, and at one point there were 63 available spaces between the 40-60,000 square foot range. Despite this, we kept the building fully occupied and never lost a tenant or experienced significant downtime.
- In 2007 one of our tenants occupying 60% of the space was under stress, needed to downsize, and was prepared to vacate. Working with an excellent local broker, we were able to procure a tenant for the other portion of the building that was coming available. This tenant was looking for 20,000 more square feet than we had available – allowing us to reduce our existing tenant and keep them in occupancy. In order to do this quickly to compete for the new tenant (And minimize the costs) we actually disconnected the demising wall, moved it over 2 bays, and re-attached the wall. The move was accomplished over a weekend, and we were able to successfully compete for the tenant who backfilled the space almost immediately upon it becoming vacant, and retain our existing tenant.
- In 2015 we packaged this property with 2 others and sold to a local REIT for a significant profit, redeploying the funds into higher yielding assets in Texas.

RETURN PARAMETERS

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|-----------------|-------------|
| Sales Price | \$9,039,809 |
| Cap Rate | 4.7% |
| Sales Date | 12/20/14 |
| Realized IRR | 11.42% |
| Equity Multiple | 2.18x |

