One Developer’s Viewpoint:
Real Down Cycle Deals

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ULI Fall Meeting 2012
THE GOOD
THE NOT SO GOOD
A REAL DEAL
Northern Crossing Business Park
Fort Worth, Texas
ACQUISITION: Key Facts

Purchase of 115 gross acres
- Purchase and Sale Agreement March, 2006
  - 45 day contingency/30 day close
- Extension denied July 2006
  - Ongoing discussions through friendly broker
- Equity Commitment October 2006
- Contract Reinstatement November 2006
- Loan Commitment November 2006
- Closed Land December 29, 2006
A REAL DEAL
Northern Crossing Business Park
The Development Project:

24.6 acres

- 408,850 SF Industrial project – Four Buildings
  - 120,000 SF Cross Dock
  - 112,000 SF Cross Dock
  - 90,450 SF Rear Load - Dock High
  - 86,400 SF Rear Load - Dock High

Pro Forma

- CD $3.95 psf with $4.00 TI allowance (cross dock)
- RL $5.25 psf with $8.00 TI allowance (rear load)
A REAL DEAL
Northern Crossing Business Park
Capitalization

- 75%/25% Loan to Cost
- 9% Preference
- 90%/10%
- 70/30 at 15% IRR
- 50/50 at 23% IRR
- 18% interest for additional capital
A REAL DEAL
Northern Crossing Business Park

Status March 2008:
• Construction Loan Due March 2009 – 10% leased
  • $12,900,000 Balance
  • 48,600 SF pending leases

Today:
• Building Loan Due March 2014 – 86% leased
  • $11,400,000 Loan Balance
  • LIBOR plus 450 bps plus 5.5% floor
A REAL DEAL
Northern Crossing Business Park

- Percent Leased: 86%
- NOI: $2,084,000
- Projected Price: $28 to 30.3 mil
Acquisition

- Purchase and Sale Agreement November 2007
  - 90 day look, 30 day close
  - $50,000 earnest money
- Equity Commitment February 2008 $6.0 mil
- Contract Reinstatement November 2007
- Loan Commitment December 2007 $18.0 mil
  30 months
- Closed Land March 15, 2008
The Development Project:
19 acres
• 326,400 SF Industrial project – Three Buildings
  • 108,800 SF Rear load each
  • Painted Tilt Wall
  • 24’ Clear ESFR
  • 40’x40’ bays
  • 135’ and 165’ loading areas
  • 2.5/1000 parking excluding truck courts

Pro Forma
• $6.00 psf with $8.00 TI Allowance (Two Buildings)
• $8.00 psf with $12.00 TI allowance
Burleson Business Park
Austin, Texas

- Capitalization
  - 70%/30% Loan to Cost
  - 10.25% Preference
  - 90%/5%/5%
  - 70/30 at 15.5 % IRR
  - 50/50 at 21% IRR
  - 14% interest for additional capital
Burleson Business Park
Austin, Texas
November 2008:

- Loan Due October 2010 – 0% leased;
- Interest and expenses funds end March 2010
- Equity will not fund additional capital
- 140,000 SF of leases pending including 76,400 SF with $50.00 psf TI requirement
- No leases made in new product in southeast Austin for past 10 months
ANOTHER REAL DEAL
Burleson Business Park

Modified Loan Results:
• Loan Due October 2014
  • $13,600,000 Balance
  • $3,600,000 pay down
    • Applied toward lease
    • $2.50 PSF of lease proceeds distributable
• Total available funds of $18.8 mil
• Interest paid current & expenses reserved
• 92% leased
• Projected stabilized value $29.5 mil
Burleson Business Park
Austin, Texas

- Percent Leased: 92%
- NOI: $1,916,500
- Projected Price: $25-28.5 mil
Lessons Learned

- Yield expectations of ownership must be managed
- Good partners recognize the blame was the market not the sponsor
- New Equity must expect a low risk return for additional $$
- Continuous value engineering is a must
  - Timing to market
  - Free rent v face rent
  - TI amortization to create value