Finance Net Leasing

Net Lease Market Sluggish, But Not Comatose

Jun 23, 2009
By: Dees Stribling, Contributing Editor

The net lease marketplace is hardly what it used to be, with deal volume at only a fraction of what it was during the mid-2000s boom years. But net lease never did quite grind to a halt, and there's some evidence that the market is climbing out of the trough it found itself in during the last quarter of 2008.

According to Boulder Net Lease Funds L.L.C., industrial net lease transactions spiked some 464 percent in the first quarter of this year when compared with the last quarter of 2008, when the market was at a near standstill. In fact, the number of industrial net lease transactions closed nationwide during 1Q09 actually outpaced the 1Q08 total by 50 percent. Likewise, office and retail net lease volume also spiked upward during the first quarter of 2009, 228 percent and 284 percent respectively, noted Boulder.

At the same time, prices are down–especially in the retail side of the business. Boulder tracked a 13 percent decline, on a square foot basis, in the price of retail net lease properties during the first quarter of 2009. Retail net lease property cap rates were up over 52 basis points during the quarter. Industrial net lease properties, by contrast, declined in valuation during 1Q09, but cap rates more-or-less held steady at about 8 percent.

In fact, industrial properties might be the relative bright spot in the net lease business, as investors see them as the most stable of the property types, and corporate ownership sees them as a kind of piggy bank. In one recent large deal, American Realty Capital Trust Inc. acquired a newly constructed freight facility in metro Houston entirely net leased to FedEx Freight, a unit of Federal Express Corp. The property, which measures 152,640 square feet, is part of the Satsuma Station Industrial Park northwest of the city, and sold for about $30.9 million.

"We've been able to find robust opportunities in the net-lease sector, particularly among corporate clients and developers who are looking for large, multi-state dispositions to generate cost-efficient capital in lieu of replacing debt or issuing equity," Nicholas S. Schorsch, chairman & CEO of American Realty Capital, told *CPN.*

In other words, the crippled credit markets might be hindering much of the real estate industry, but they are making corporate real estate owners think hard about monetizing their real estate holdings as a source of capital that doesn't need to have a tough loan committee judging whether it's go or no-go. "These companies are typically raising capital to stabilize balance sheets," Schorsch said. "And they are looking to sale leasebacks as an efficient way to do that."

SAVE | PRINT | EMAIL | MOST POPULAR | RSS | REPRINTS

Recent Net Leasing Headlines

High-Tech Data Centers Offer Bright Future
May 12, 2009
Data centers offer a digital-age wrinkle to the net lease industry. By most accounts, demand will grow steadily for the highly sophisticated facilities, which host mission-critical servers. Meanwhile, specialized technical elements and heavy capital investment create high hurdles to development.

American Realty Plans $30M Houston Industrial Buy
Jun 03, 2009
American Realty Capital Trust Inc. plans to acquire a newly constructed freight facility entirely net leased to FedEx Freight in the coming weeks.

Net Lease Market Sluggish, But Not Comatose
Jun 23, 2009
The net lease marketplace is hardly what it used to be, with deal volume at only a fraction of what it was during the mid-2000s boom years. But net lease never did quite grind to a halt, and there's some evidence that the market is climbing out of the trough it found itself in during the last quarter of 2008.

ProLogis Closes $137M Portfolio Refi for California Fund
May 05, 2009
On behalf of the ProLogis California Fund, ProLogis has closed on a $137.5 million, five-year, secured financing with a major life insurance company.

Sonic Franchisee Retains Calkain to Aid in Sale-Leasebacks
May 26, 2009
Calkain Cos. has been engaged by a multi-unit Sonic restaurant franchisee to consult on the development and exit strategy of the new locations under development in Virginia and Maryland. The franchisee committed to the D.C. metro area and has plans to build 20 locations within the next 12 to 18 months.

EastGroup Nabs 142,000-SF Las Vegas Distrib Complex

Select Coverage By City: Atlanta

Click here for more CPN conferences

Blog: *CPN* From The Inside **Blog: REal Talk with *CPN***

The Road Trip of 2009
Jun 23, 2009

Finance: Still Paralyzed
Jun 22, 2009

New York City Tri-State Area: Early Signals of a Bottom?
Jun 18, 2009

Ideas Change Everything
Jun 17, 2009

New York City Tri-State Area: Data Points - Where & How the Trades are Happening
Jun 15, 2009

Subscribe to this blog's feed

MORE POSTS

CPN Radio