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Blackstone Buys Distribution Hubs for \$950 Million as Online Shopping Breaks Records

Firm's Non-Traded REIT Acquires Harvard Endowment Fund's 14 Million-SF Portfolio



4550 Home Run Blvd. in the Four Corners Business Park in Davenport, Florida, was among the properties purchased. Photo credit: MDH Partners

Blackstone completed another blockbuster-sized [industrial property portfolio](#) purchase, buying 14 million square feet spread out across the U.S. Southeast for \$952 million, boosting the stakes as commercial real estate investors grab sites for delivery distribution centers amid record online shopping.

The private equity giant's Blackstone Real Estate Income Trust acquired the portfolio of Class A distribution buildings and small-bay warehouses from a partnership of Atlanta-based real estate investment company MDH Partners, Bain Capital and Harvard Management Co., which oversees Harvard University's endowment fund. The price breaks down to about \$68 per square foot.

The strength of the industrial market is broad, thanks to the growing need for local and regional distribution hubs for same-day delivery. As a result, industrial is, in some ways, the new retail, according to CoStar analysts.

"Retailers have always needed warehouses to store their goods before shipping them to store locations. These days, more and more purchases go direct from a warehouse to the shopper's home. So, higher demand for stuff translates directly into demand for warehouse

and distribution space," said Christine Cooper, managing director and senior economist for CoStar.

Blackstone has been one of the most active investors in industrial properties over the past five years, amassing a portfolio of about 84 million square feet. Blackstone REIT, in particular, held more than 200 of those properties totaling more than 35 million square feet, as of the end of September.

That investment is paying off as demand for industrial space soars from retailers needing real estate where they can put goods into trucks to drive to the doorstep of consumers. Monday was the biggest online shopping day in U.S. history with nearly \$8 billion in sales, according to preliminary data from Adobe Analytics, which tracks e-commerce data from 80 of the nation's largest online retailers. Traditional retailers are getting into online shopping, with customers 28 percent more likely to actually buy something online if the retailer also has a physical store rather than an online-only presence, the research firm said.

Retailers with both a physical and online presence such as Target and Walmart that aggressively tried to lure online shoppers into stores through fast home delivery and in-store pickup generated 88 percent of all sales on Thanksgiving and Black Friday and more than 80 percent of spending on a record-setting Cyber Monday, according to a survey by the International Council of Shopping Centers.

In its current relationship with Bain Capital, MDH Partners assembled the portfolio in key growth markets and logistics hubs throughout the U.S. Southeast by a combination of both acquisitions of property that can be upgraded and speculative development.

MDH targeted multi-tenant "last mile" facilities primarily designed to serve the needs of the booming e-commerce industry for its acquisitions. That is the same property profile Blackstone REIT has identified as its target for industrial holdings.

Prior to assembling its current portfolio, MDH had previously advised Blackstone in 2010 and 2011 in the acquisition of 45 million square feet of properties in 30 markets across the country. That acquisition helped create IndCor, which would become the country's second-largest industrial real estate company before its 2015 sale to GLP, one of the world's largest owners of logistics properties.

Blackstone officials have not yet responded to requests for comments about the MDH purchase, but Blackstone Real Estate Investment Trust did update its website with information about the purchase.

The portfolio features a strong tenant mix including social media website provider Facebook, and shippers DHL and FedEx and it has a weighted average remaining lease length of four years, the REIT reported, with occupancy of the portfolio listed at 90 percent.

The Prudential Insurance Co. provided Blackstone \$471.5 million in acquisition financing for the purchase, according to documents filed with some of the real estate transfers. In addition, the non-traded Blackstone REIT is readying a \$12 billion follow-on stock offering.