

RANKINGS

Industrial Sales Soared 28% in 2018; CBRE Dominated Broker Ranking

Sales of large warehouse and industrial properties surged again last year, blowing past the record set the year before, while perennial champion **CBRE** continued to dominate the brokerage race.

A whopping \$29.9 billion of industrial properties worth at least \$25 million traded last year, according to **Real Estate Alert's** Deal Database. That was up 28% from \$23.5 billion in 2017 and marked the fourth consecutive year that volume eclipsed the previous cyclical peak, \$17 billion in 2007.

CBRE handled an eye-popping \$12.4 billion of deals, shattering by 36% the record it set in 2015 for annual volume by a brokerage. Its sales exceeded those of its next four competitors combined.

Market pros see another strong year ahead. "It feels like pedal to the metal this year as well," said **Darla Longo**, a CBRE vice chairman. "We don't see any change in investors' appetite. Short of any major event, 2019 should be robust."

Most of the same factors that drove activity last year remain

Industrial Sales

	Amount (\$Bil.)	No. of Prop.
2009	\$2.1	137
2010	6.8	443
2011	8.4	350
2012	11.4	560
2013	10.3	459
2014	14.0	869
2015	18.6	615
2016	17.3	515
2017	23.5	1,043
2018	29.9	1,035

in place: historically high occupancy and rents, the expansion of e-commerce, tempered construction, a seemingly insatiable appetite among institutional investors, low interest rates and strong debt markets.

The national occupancy rate stood at a record 95.7% at yearend, according to CBRE. Rents increased 7.4% year-over-year to a record \$7.37 a square foot as construction, constrained by rising land prices and regulatory hurdles, failed to keep up with leasing demand.

So far, there's no sign of softening, said **Cliff Booth**, chief executive of Dallas investment shop **Westmount Realty**. "When we start seeing it is tougher to renew leases, or we're not getting rent increases, that will tell me we are changing into a different kind of economy,"

he said. "That has not happened. As long as it still feels good operationally, we're a buyer."

The industrial sector outpaced all other major asset classes in rent and property-value growth last year, according to a **Green**

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Top Brokers of Industrial Properties in 2018

Brokers representing sellers in deals of at least \$25 million

	2018 Amount (\$Mil.)	No. of Properties	Market Share (%)	2017 Amount (\$Mil.)	No. of Properties	Market Share (%)	'17-'18 % Chg.
1 CBRE	\$12,426.6	640	45.0	\$8,057.4	290	37.4	54.2
2 Eastdil Secured	4,552.7	333	16.5	3,721.7	467	17.3	22.3
3 Cushman & Wakefield	3,737.8	78	13.5	3,572.6	304	16.6	4.6
4 JLL	2,086.3	69	7.6	2,004.8	74	9.3	4.1
5 HFF	2,007.3	49	7.3	1,655.2	46	7.7	21.3
6 Colliers International	913.0	27	3.3	1,294.2	47	6.0	-29.5
7 Newmark	832.7	24	3.0	366.1	11	1.7	127.5
8 Transwestern	403.4	10	1.5	164.5	3	0.8	145.2
9 Marcus & Millichap	148.5	6	0.5	46.0	1	0.2	222.9
10 Avison Young	139.6	2	0.5	197.2	6	0.9	-29.2
11 Kidder Mathews	135.1	3	0.5	146.5	4	0.7	-7.8
12 A&G Realty	88.5	2	0.3	0.0	0	0.0	
13 DAUM Commercial	50.0	1	0.2	0.0	0	0.0	
14 Meridian Capital	39.0	1	0.1	0.0	0	0.0	
15 Eastern Consolidated	25.2	1	0.1	0.0	0	0.0	
16 Venture Capital Properties	19.6	1	0.1	0.0	0	0.0	
OTHERS	0.0	0	0.0	332.4	9	1.5	-100.0
Brokered Total	27,605.3	994	100.0	21,558.6	1,005	100.0	28.0
No Broker	2,305.3	41		1,899.1	38		21.4
TOTAL	29,910.5	1,035		23,457.7	1,043		27.5

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Street Advisors report last month. E-commerce has become an immense driver of leasing demand in recent years, and with online sales expected to continue increasing, the firm forecasts a “strong environment for rent growth” over the next few years.

“People view a secular trend afoot with e-commerce, and that is driving interest in the space,” said **Herbert Myers**, managing director of real estate investments for **Investcorp**, a Bahrain-based investment manager that stepped up its activity in the sector last year. “There is anticipated rent growth. By and large, new supply has been absorbed. That gives investors further confidence that this sector has tailwinds. I wouldn’t say it feels like people are doing crazy things.”

With institutional investors seeking to scale up, portfolio and large-property sales remained hot. Fourteen deals topped \$250 million last year, up from a dozen the year before and just three in 2016. Most involved either big-box distribution centers or small urban warehouses in the e-commerce supply chain.

In the biggest deal of the second half, **Blackstone** paid \$951.6 million in November for a 14 million-sf portfolio of small

warehouses in the Southeast suitable for “last-mile” delivery to consumers. CBRE and **Eastdil Secured** advised the seller, a joint venture between Atlanta-based **MDH Partners** and **Harvard University’s** endowment that began assembling the portfolio in 2014 via small acquisitions, mostly from family operators.

“A lot of the ownership is fragmented with these older properties,” said MDH chief executive **Jeff Small Jr.** “A smaller group like us can go buy one-off deals here and there. You can get paid a premium by institutional investors that want to own these properties but don’t have the time to put portfolios together one at a time.”

The sale, which represented all of MDH’s holdings, was a repeat performance for Small. Founded in 2005, MDH amassed an industrial portfolio that it sold in 2008, just before the financial crash. The firm then sat on the sidelines for a few years before buying again. This time, Small said, MDH is already on the hunt for new investments.

“The difference is that in 2007, I was concerned the fundamentals didn’t support the capital markets — whereas today, they do,” he said. “We will approach our investments carefully

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Large Industrial-Property Transactions in 2018

Property	SF-000	Buyer	Seller	Broker	Price (\$Mil.)
1 107 properties nationwide	29,659	Mapletree Investments	Exeter Property	CBRE	\$2,390.0
2 146 properties nationwide	21,719	Blackstone	Cabot Properties	CBRE, Eastdil Secured	1,805.0
3 27 properties in Southeast	14,014	Blackstone	Harvard Mgmt., MDH	Eastdil Secured, CBRE	951.6
4 51 properties nationwide	2,135	J.P. Morgan Asset Mgmt.	Realterm Logistics	Eastdil Secured, CBRE	491.0
5 8 properties in 5 states	5,655	Fortress Investment	SuperValu	CBRE	483.0
6 3 properties on West Coast (sale-leaseback)	3,250	DWS Group	Safeway	Eastdil Secured	434.9
7 7 properties in North Carolina, Georgia	3,832	(Unidentified)	Equus Capital	HFF	399.0
8 12 properties in 6 states	4,651	(Unidentified)	Hillwood Investment	Eastdil Secured, CBRE	351.9
9 40 properties on East Coast	4,000	Blackstone	FRP Holdings	Eastdil Secured	347.2
10 18 properties in 4 states	3,752	Clarion Partners	Pauls Corp.	CBRE	345.0
11 2 properties in Calif., Ariz. (sale-leaseback)	2,787	Colony Capital	Albertsons	Eastdil Secured	292.0
11 56 properties in 5 states	4,513	Investcorp	Greenfield Partners	CBRE	292.0
13 FedEx facility, Maspeth, N.Y.	362	Prologis	SunCap Property	Cushman & Wakefield	262.5
14 6 cold-storage facilities in 4 states	2,246	Blackstone	Highridge Provender	Eastdil Secured	254.7
15 Liberty Business Center 3, Allentown, Pa.	1,670	Uline	Liberty Property	(None)	249.1
16 Park 70, West Jefferson, Ohio	4,118	Granite Real Estate	Duke Realty	CBRE	236.8
17 51 Chicago-area properties	2,900	Taurus Investment	Venture One Real Estate	CBRE	201.0
18 8 properties in 7 states	4,031	LCN Capital	Staples	Eastdil Secured	192.0
19 2 Amazon facilities in Va., Texas	2,024	Gramercy Property	Hillwood Investment	Eastdil Secured, CBRE	181.1
20 Countyline Corporate Park, Hialeah, Fla.	1,059	Duke Realty	Florida East Coast Ind.	HFF	180.1
21 2 Amazon facilities in Fla., Calif.	1,631	Gramercy Property	Hillwood Investment	Eastdil Secured, CBRE	177.8
22 2 Toys R Us facilities in N.J., Calif.	2,388	Square Mile, Saadia Group	Toys R Us	Cushman, A&G Realty	177.0
23 6 properties in 5 states	2,055	LBA Realty	Staples, Sycamore	Eastdil Secured	176.0
24 11 properties in San Diego area	989	Equity Office	RAF Pacifica	Cushman & Wakefield	170.0
25 14 properties in Va.	1,530	DSC Properties	RMR Group	JLL	167.0

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and selectively over the next year. The days of just buying anything and having it appreciate in value are over. At the same time, the fundamentals in our space have never been stronger."

On top of last year's \$29.9 billion of industrial property sales came nearly \$20 billion of corporate takeovers involving U.S. warehouses: **Prologis'** \$8.5 billion buyout of Denver-based **DCT Industrial**, Blackstone's \$7.6 billion purchase of **Gramercy Property** of New York, which mostly owned industrial properties, and **Ivanhoe Cambridge's** \$3.5 billion acquisition of **Brookfield Asset Management's IDI Logistics** unit. Ivanhoe later sold a 50% stake in IDI to **Oxford Properties**.

Market pros said one possible check on growth in sales volume in 2019 could be a shortage of portfolios available for sale after years of heavy turnover. "Last year was an extraordinarily large year for portfolio and entity-level sales," said **Chris Riley**, another CBRE vice chairman. "That is not sustainable every year." But he noted those mega-deals can spin off further trades. Indeed, Blackstone immediately listed \$2.2 billion of its Gramercy warehouses via eight separate portfolio offerings.

Capitalization rates continued to compress across the country last year. They slipped under 4% in the top markets of Northern New Jersey, Seattle and Southern California. Rates dipped close to 4% in markets such as Atlanta, Chicago, Dallas, South Florida and Eastern Pennsylvania, and even dropped below 5% in secondary markets such as Reno, Las Vegas, Phoenix and Denver.

For a buyer, "it's tough everywhere — there is not a market that doesn't have a lot of competition," said Booth at Westmount, which purchased properties in smaller markets such as Cincinnati and Columbus, Ohio, last year. In 2019, he said, "I think it is going to be just as active and pricey and difficult to buy as it has been in the last couple of years."

Matthew Novak, a partner at San Francisco-based **Berkeley Partners**, said the hunger for industrial properties is so great that he is increasingly bumping into institutional investors on smaller trades. "You are seeing institutional players move down," he said. "Before, that convergence was around \$30 million, and now it can be below \$15 million." But he said his firm, which targets light-industrial properties, still sees opportunities in buildings where mismanagement or physical deficiencies provide openings to add value.

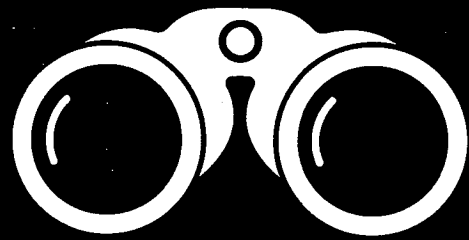
One big threat to the industrial sector's strong run, according to Green Street's report, is "the growing risk of a trade war with China along with a generally protectionist stance from the current administration."

Many industrial pros, including Small, agree. "If it wasn't for the uncertainty around trade, we'd have a longer runway," he said. But he added that the sector is well positioned to endure any correction in the larger economy in the coming years. "My personal view is we could see a slowdown in 2020, but I don't see it as a 2008 crash," Small said. "It could be more like the 2000 post-dotcom bust, a soft landing. And the industrial fundamentals will support us through a slowdown."

In the brokerage race, CBRE took the crown for the eighth consecutive year. It boosted its volume by 54%, far outpacing the sector's expansion and increasing its share of brokered trades to 45%, from 37.4% in 2017. CBRE had a hand in all of the five largest property sales. Eastdil shared the marketing assignments on three of those deals, and increased its overall volume by 22%. Still, it finished a distant second, posting \$4.6 billion of sales for a 16.5% market share.

Third-place **Cushman & Wakefield** closed \$3.7 billion of trades for a 13.5% market share. **JLL** was fourth with \$2.1 billion of trades and a 7.6% share. **HFF** came in fifth with \$2 billion and a 7.3% market share.

The broker ranking excludes M&A transactions, so it didn't credit Eastdil for its advisory role in the acquisitions of Gramercy and IDI. CBRE also was an advisor on the IDI deal. ❖



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