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## TOP STORY: CoreNet Research Predicts 'Surge' of Corporate SLBs

By Michelle Napoli

Atlanta—A recent survey of corporate real estate executives by **CoreNet Global's** Applied Research Center indicates a rise in portfolio sale-leasebacks that will likely be welcome news among net lease property investors. More than a third of respondents--all with large corporations, from a mix of industries including financial, retail and industrial--report either experience doing portfolio sale-leasebacks or plans to do one in the near future.



*Bowles*

CoreNet says the study also found "portfolio sale-leasebacks, unlike deals for single pieces of property, have many similarities to capital market transactions and should be managed accordingly. Respondents indicated that capital market expertise is important for the sellers as private investors. Pension funds and REITs, among others, represent more than 30% of the buyers of large portfolios of property."

Eric Bowles, director of global research for CoreNet, tells *NET LEASE forum* what stuck him the most was the difference between single property and portfolio sale-leasebacks. "It was so clear, the difference," he says. "It's much more like a capital markets transaction than a real estate transaction, and it requires that level of expertise."

One of the key drivers of portfolio sale-leasebacks, Bowles says, is flexibility. Another finding was the number of companies that find themselves in what he terms "hostage situations," where they are forced to renew leases at higher than market rents because staying in a particular location is important to the business and customer base. As a result, some companies may negotiate in their leases an unusually long amount of time they are able to extend leases. On the other hand, Bowles acknowledges that some companies have been negotiating early termination rights, likewise speaking to the desire for flexibility. "A lot of companies would be well served to have both options in the lease," Bowles observes.

The CoreNet study also found evidence that corporations "expect the quantity of space owned to decrease as leasing becomes more prominent," the association of workspace and corporate real estate reports. "The CoreNet study predicts that 6% of property would shift from owned to leased property over the next five years." CoreNet estimates that 52% of companies' property is owned rather than leased.

"While a 6% shift may seem small in percentage terms, in reality, it's a tidal shift," states Bowles. "Translated, for our members, that's \$72 billion out of \$1.2 trillion worth of real estate being sold and leased back in the commercial real estate market during the next five years."

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