

L&B/Florida State Pension Fund Case Study

"NAI is providing excellent service to ownership, and handles all ongoing responsibilities and special requests with professionalism. The FY 3rd and 4th quarter has been challenging as COVID-19 has impacted many of the tenants in the portfolio, that being said, NAI has done a very good job in terms of leasing and is continually communicating to ownership about the rapidly changing market conditions. The property management team and leasing team continue to communicate well with each other, this type of team effort improves our leasing and operational performance."

- Tom Burdi
Vice President
L&B Realty

Requirement

In September 2014 NAI James E. Hanson was hired to handle the leasing and management of a 10 building 861,485 square foot industrial portfolio which included both warehouse and flex buildings. The assignment began shortly thereafter. In early 2016 two additional buildings were added to the portfolio bringing the total up to 12 buildings and 971,485 square feet of space.

Most of the spaces in the portfolio were leased but there were a number of current vacancies with several more in the near future.

Approach

When the assignment began in the 4th quarter of 2014 NAI Hanson reviewed each and every building, tenant and the leases to create an action plan for the portfolio. The market was starting to get back in balance after coming out of a major market disruption caused by the great recession. There were several aspects to the plan including but not limited to:

- 1) For spaces with leases coming due our first course of action was to approach the current tenant to see if there was a possibility of extending leases and in many cases we were successful.
- 2) Preparing any vacant space to assure it was in good condition every time the building/unit was inspected by a potential tenant it gave a positive first impression.
- 3) Also for spaces coming vacant we commenced a very aggressive marketing campaign and focused on pushing rents higher to increase the value of the portfolio.

4) We worked very closely with NAI Hanson Management on several levels.

a) Discussed any building issues with tenants in order to aid our tenant retention efforts.

b) Worked with the entire team, including ownership to aggressively attach operating expenses to bring them in line with, or below our competition.

c) Worked to assure tenants were happy, properties were well maintained, costs were aligned with market conditions and tenant retention was a top priority.

Results

Our results were quite apparent after transitioning into the portfolio the vacancy rate by the end of 2015 was 0%. Since that time, we have maintained high occupancy levels throughout the portfolio, only seeing temporary vacancies due to unforeseen bankruptcies and evictions. We have continued to push rents higher and haven't finished a year with vacancies over 2%.

The portfolio wide rent increase would have been considerably greater except the largest tenant in the portfolio, who occupies 17% of the space, had a fixed renewal option which was \$2.00-\$2.25 per square foot below market.

The initial purchase price was \$112,642,440 and now has a current valuation of \$270,160,000, a 240% increase in value over 10 years.