

## FAURECIA



**GABRIEL SILVERSTEIN, SIOR**  
ANGELIC REAL ESTATE  
NEW YORK, N.Y.

### TRANSACTION TYPE & DETAILS

**TRANSACTION DATE:** MARCH 10, 2015  
**TRANSACTION TYPE:** INVESTMENT SALE  
**BUILDING TYPE:** OFFICE + R&D  
**BUILDING SIZE:** 278,000 SQ. FT.  
**SALE PRICE:** \$40,025,000

This was Angelic Real Estate's first transaction with this developer, a developer who had historically developed primarily for its own account but who didn't want to maintain the exposure of a large single project with one tenant.

### CLIENT OBJECTIVES

- The developer wanted to achieve favorable long term capital gains treatment on the property sale.
- The developer also did not want to have its sale price punitively discounted because of a significant free rent that the tenant was to receive at the onset of the transaction.
- Escrowing the free rent value at an earlier closing would have forced the developer to "pay" the carry cost of that replacement income to the purchaser at the same interest rate as the cap rate for the transaction, which Angelic wanted to avoid.

### TRANSACTION PROFILE

- Instead of a sale upon completion, Angelic structured a forward purchase contract that was signed six months prior to completion of the building and 18 months prior to full rent commencement and the closing.
- The forward purchase pricing cap rate premium as structured was less than the cost of escrowing the replacement rent during the time the tenant had full rent relief. This resulted in significantly higher net total proceeds to the developer than closing a year earlier and having to escrow the free rent by arbitraging the much lower cost of extending the developer's construction loan during that time instead.
- The developer also enjoyed the ability to classify the sale as a long term capital gain at the time of closing, rather than a short-term capital gain at higher tax rates.

### SOLUTION

- This transaction was one of the largest institutional buyer contracts for purchase signed in 2013 in the Detroit metro area. Institutional buyers were very leery of that market during this time. Angelic identified a buyer willing to objectively look at the market's trajectory and realize that its past struggles were behind it. This was for a sub-investment grade tenant which is primarily a consumer automotive parts supplier.
- Angelic now has another large transaction under contract with this developer on a future build-to-suit delivery that was far more complicated for tax structuring purposes than this transaction. The relationship that this transaction helped build between Angelic, the developer client, and the buyer was key to solving the complications that the next transaction entailed.

