

**REAL ESTATE
VALUE-ADDED PROGRAM
*INDUSTRIAL***



*A CASE STUDY FROM
AMERICAN REALTY ADVISORSSM*



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REAL ESTATE ASSET ENHANCEMENT PROGRAM

INDUSTRIAL

CERRITOS, CA

In 2005, American Realty Advisors purchased, on behalf of the American Stable Value Fund, a 123,058 square foot industrial property in Cerritos, CA, on the eastern edge of the Los Angeles and Orange County border. The single-story concrete tilt-up warehouse building was built in 1998 as a Class A distribution facility and is situated on a 5.4 acre rectangular-shaped parcel. The property enjoys superior access via two entrance drives and is proximate to the I-5, SR-605, SR-91, and 105 Freeways. Adjacent to Cerritos Corporate Center, a master-planned mixed-use park, the distribution center is well-located near a strong employment base and excellent housing opportunities.

Located in the heart of the Mid-Countries submarket, the largest warehouse submarket in the Los Angeles MSA, the property displayed the potential to benefit from tightening vacancy rates throughout the metropolitan area as a result of strong demand for space. At the time of acquisition, the net volume of completions in the sub-market had already slowed, showing signs of a supply-constrained market.



Value Opportunity

The property presented American with an excellent opportunity to invest in a high-quality property in a strategic Mid-Countries in-fill location. Prior to

acquisition, the property had been poorly managed with absentee ownership and inexperienced leasing agents. As a result, the building remained vacant for an extended period of time, which allowed American to secure the property at an attractive price and the incentive to institute an aggressive lease-up strategy within six months based on strong market conditions.

American acquired the property on an all-cash basis. The initial total project capitalization was \$10,850,000 or \$88.17 per square foot.

Strategy Implementation

American's investment strategy was to lease up the property either in its current single tenant configuration, or, as an alternative, demise the space to accommodate two tenants at a premium rent thereafter. In addition, American pursued an active management program and immediately replaced the property management firm, as well as the leasing brokers with local industrial market experts and implemented a capital program to remediate deferred maintenance. Also, critical to American's investment strategy was an extensive marketing program, which culminated in the lease up of the property within six months of acquisition.

Results

After swiftly curing the deferred maintenance and a brief but thorough marketing program, American secured a long-term lease through year 2021 with Iron Mountain Information Management, Inc., a credit tenant, ahead of the pro-forma. Iron Mountain's lease agreement provides the tenant with the option to purchase the property for \$16,000,000 during late-2008 through 2009.

The Mid-Countries industrial market experienced an increase in rental rates, a decrease in rental rates and stable construction activity in 2006. The property was appraised at \$14,215,000 as of December 31, 2006 and the initial fixed rent for Iron Mountain was \$0.55 psf, which is in-line with comparable industrial properties in the area.



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American Realty Advisors

American Realty Advisors, a California corporation, is an SEC-registered investment advisor under the Investment Advisers Act of 1940 and a leading provider of real estate investment management services to institutional investors. With more than \$3.4 billion in gross assets under management (excluding partners' share of equity and partners' share of debt on partnership investments) as of September 30, 2009, American has provided real estate investment management services to institutional investors for over 21 years utilizing core and value-added commingled funds and separate accounts.

The Firm's portfolios include office, industrial, multi-family, and retail properties nationwide. Additional information regarding American can be found online at www.americanreal.com.

In addition, American is a significant originator of debt financing for real estate investments utilizing various structures from senior debt to highly structured mezzanine or preferred equity formats, secured by mortgages or other interests in real estate. Our conservative cash flow underwriting, proactive investment management and ability to structure transactions has produced superior risk-adjusted returns on behalf of our clients.

This case study is presented as an illustration of the methodologies utilized by American in connection with a property enhancement program. Some of the information included in this case study involves present or former clients of American. Such material has not been selected based on performance and it is not known whether the clients approved or disapproved of American or the advisory services provided.

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If you would like information regarding this project, including returns, or for any other information regarding American Realty Advisors, please contact Jay Butterfield at 818-409-3243 or at butterfield@americanreal.com.