

Partner Sought for Industrial Venture

A veteran industrial investor is looking for an equity partner to team up on the acquisition of multi-tenant properties from distressed owners.

Chicago-based **HSA Commercial Real Estate** wants to target warehouse, distribution and light-industrial properties in the Top 40 metropolitan areas, with a focus on Chicago, Memphis and Milwaukee.

HSA, which owns full or partial stakes in more than 10 million square feet of industrial buildings, is focusing on quality properties with cash-squeezed owners. It is telling prospective partners that such properties are available at prices that translate into an initial annual yield of 9-11% — or about 50% of replacement cost. It will look at buildings with pending lease rollover, as well as ones that need to be renovated. The return goal is at least 15%.

HSA wants a partner to kick \$75 million of equity into the joint venture in return for a 90% stake. HSA will supply \$7.5 million and hold the remaining interest, while serving as operating partner. With leverage, the venture would have \$235 million of buying power. Placement agent **Flint Creek Partners** of Fox River Grove, Ill., has been marketing the joint venture to U.S. and foreign institutions, fund operators and family offices.

HSA is willing to negotiate the fee structure and profit split. It is proposing to charge a 1% acquisition fee, but no asset-management fee. After the partner receives a 9% preferred return, a “waterfall” profit split would be employed, in which HSA’s share of profits would increase after certain return hurdles are achieved.

The company has identified 1.5 million sf of properties that would be appropriate for the joint venture. It would also consid-



er selling 90% stakes in properties from its existing portfolio.

The company, founded by chairman **Jack Shaffer** in 1981, lays claim to being the 10th-largest privately held industrial real estate operator in the U.S. ♦