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NBS Arranges Acquisition Financing for FedEx Portfolio

By Keith Loria, Contributing Editor

TIC – RI Pullman, L.L.C., RI Cascade, L.L.C., RI Elk Grove, L.L.C. (Rood TICs), has received a combined \$52 million in acquisition financing for three, newly constructed FedEx Ground distribution centers in its need to satisfy a 1031 exchange.

NBS Financial Services arranged the financing for the deal with funding provided by State Farm Insurance Co.



"You have someone coming out of a 1031 exchange that had a lot of cash and was looking at trying to acquire some single-tenant-type properties and the credit worthiness of the tenant—FedEx Ground—combined with the fact that they were new buildings and first-generation leases, made it attractive to the lender," Todd Harding, NBS Financial Services' senior vice president, told *Commercial Property Executive*. "Certainly, the fact that you had fresh cash equity coming into the deal made for a nice fit."

The financing consisted of \$8.6 million for a 151,088-square-foot facility in Wichita Falls, Texas, \$12.193 million for a 254,353-square-foot facility in Spartanburg, S.C., and \$31.233 million for a 312,539-square-foot facility in Chandler, Ariz.

"FedEx has kind of been the 900-pound guerilla in the air-freight business and has really focused a lot of its attention not only on these locations, but they are all over the place," Harding added. "They are on a major expansion kick and are going after UPS. These are strategic hubs and my experience with these major companies is they have some pretty sharp people choosing locations and they don't make mistakes very often."

Two of the transactions were closed without a subordination or estoppel in place from the tenant, which is somewhat unheard of with a single-tenant transaction, but Harding said that everyone involved was confident in the deal. According to Harding, the loans were conservatively leveraged with a 10-year term and 30-year amortization.

"These type of deals aren't out there all the time and everyone's looking to put out capital, especially on larger transactions, so we were able to get these done with our life insurance companies," Harding concluded. "One of the challenges we had, was we were running parallel with these things being under construction when we went under application, so we had a timeframe from the lender, and a timeframe that we had to meet to ensure the borrower's 1031 exchange."

Mick Stapleton, NBS Financial Services' finance officer, also contributed in helping to finance the deal.

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