



CASE STUDY FRESENIUS

Knoxville, Tennessee

PROJECT OVERVIEW

- Industrial development
- Design build / Built-to-suit for public company
- 614K SF distribution facility
- 34' clear height
- 57-acre parcel

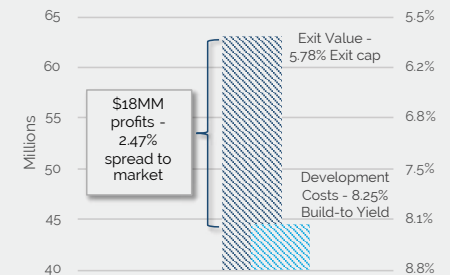
VALUE CREATION

Opportunistic Strategy: The successful execution of this project is a testament to 13TH Floor's ability to capitalize on opportunistic strategies regardless of asset class or geographic location.

Successful Rezoning: 13TH Floor entered into a long-dated purchase contract with the land owners in order to pursue rezoning efforts within Knox County. After a successful campaign with the Knox County Commission, the 57-acre parcel was rezoned to Planned Commercial.

Risk Management:

Favorable Rent Structure: To secure a favorable development spread to projected exit cap rates for this asset, 13TH Floor negotiated a lease structure in which the rent paid by the tenant is a function (%) of construction costs. Doing so provides the tenant flexibility in designing the building, as every dollar invested into the project is capitalized and realized in the form of annual rent.



Guarantor Credit: The guarantor of the lease, holds an investment grade rating of Baa2 / BBB. In the event that they are downgraded to sub-investment grade during construction, 13TH Floor negotiated a springing yield provision in which the yield (rent function) increases commensurately.

Absolute Net Lease: 13TH Floor negotiated the lease to check every box demanded by the net lease industry markets such as minimal to no landlord responsibility, 20-year initial term, 2% annual rent escalations, and effectively no tenant termination rights. With this lease structure, 13TH Floor was able to achieve top-of-market pricing on a forward sale.

Market Risk: Within 3-months of breaking ground, 13TH Floor entered into an agreement to forward sell the asset thus eliminating all interest rate and market risk for the remaining life of the transaction.

