

# CASE STUDY

**TOPIC:** Preconstruction Sale Environment

**PERSPECTIVES:** Small REITs / Individual Buyers & Sellers

**PROPERTY:** Various DG Locations



**DOLLAR GENERAL**

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## THE CHALLENGE

In early 2011, we began working with an experienced commercial real estate investor and a small sized REIT who had difficulty identifying investment properties that fit their yield and lease structure requirements. Both wanted to find new, NNN leased real estate investments with a minimum of 15 years of lease term. We collaborated with the investor and REIT to understand their needs. The requirement was challenging. Would the lack of inventory of credit, single tenant NNN deals combined with uncertainty of the macro economic and lending environments prohibit a good outcome for either party?

At this time, developers of Dollar General single tenant investment properties were wanting to grow their build to suit development pipeline. Tenant expansion, limited at that, had turned toward fee development, leasing existing space, or renewing existing leases in certain markets. Keeping the development pipeline intact while keeping construction credit lines open were important to both developers and lenders. Could developers secure future development projects while selling their current assets in order to keep company momentum going into the future?

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## THE STRATEGY

To solve these problems from both perspectives, we identified short and long term objectives and created strategies to identify correct properties to match our two qualified buyers. We devised a strategy that would allow us to effectively locate new construction stores while at the same time keeping the disposition benefit for the sellers in mind. The key ingredient was listening to the clients' overall goals outside of the specific real estate asset in order to uncover the true motivations for both buying and selling properties.

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## THE PROCESS

Using *The Closing Navigator*<sup>™</sup>, we followed a step by step process to collaborate with the investors for their acquisition strategies. During each phase, deliverables and tools were provided to ensure the investors knew where they were in the process and what the next steps would be. It allowed the actual property search to be conducted “off-market” so that upcoming assets that were under construction could be uncovered and explored.

We also used *The Closing Navigator*<sup>™</sup> for the sellers in executing our “quiet” purchaser search for properties that were not able to be taken to the open market yet. Our qualification efforts provided the sellers’ confidence allowing them to make informed decisions about those assets that would fit not only the buyers’ needs, but their own needs as far as freeing up construction capital for future projects. This allowed the sellers ownership and flexibility in their approach to selling the assets given the market conditions and their own company’s needs.

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## THE RESULT

Having a clear picture of both the buyer’s requirements and the sellers’ need for timely dispositions to keep their pipeline progressing allowed us to marry them into closings within days of construction completion. By taking the time to listen, confirm goals, strategize, and utilize a step by step process through the entire acquisition/disposition phases, efficient and satisfying transactional experiences were had by both parties. Objectives were met, time was saved, risks were reduced, and returns on investment were achieved for both parties.