

CASE STUDY



AT&T St. Louis Sale/Leaseback

CBRE's Global Corporate Services teamed with the Sale/Leaseback Group, Investment Properties Group, and Brokerage to complete the \$205 million sale/leaseback of the 42-story, 1.2-million-sq.-ft. 909 Chestnut in downtown St. Louis, the highest price ever paid for a St. Louis office property.

CHALLENGE

As part of AT&T's ongoing real estate monetization and cost reduction program, which Global Corporate Services had helped formulate for this important long-term client, CBRE was asked by AT&T to execute a sale/leaseback of 909 Chestnut, the 1.2-million-sq.-ft. former SBC headquarters. CBRE was charged with achieving an aggressive price under a tight year-end deadline.

SOLUTION

A team was quickly assembled comprised of experts from the Sale/Leaseback Group, Investment Properties, and Leasing Brokerage to analyze alternatives, set the strategy for marketing of the sale/leaseback, and maximize value for AT&T. Included in this initial phase was a review of AT&T's occupancy horizon for the property in light of its many other real estate holdings in St. Louis, the impact of various lease terms and structures on value, and an assessment of AT&T's willingness to be responsible for ongoing capital needs for the property. The team also brought in the Financial Consulting Group (FCG), whose analyses underscored the financial implications and incremental impact of each scenario, which helped the team maximize value.

CBRE compiled a comprehensive offering memorandum which presented full information on the property; provided a detailed description of the local office market; and outlined summary lease terms for AT&T's proposed lease. CBRE approached an extensive group of domestic and international buyers in a controlled auction process which generated a large number of offers.

On AT&T's behalf, CBRE instructed investors to propose a price based on a detailed term sheet for a 10-year full leaseback of the property. To maximize the net value of the transaction for AT&T, CBRE also asked investors to provide two differentiated pricing structures based on whether AT&T or the investor would have ongoing responsibility for capital expenses during the lease term.

RESULT

CBRE, in conjunction with AT&T, selected a handful of leading institutional bidders for a final round of bidding. After CBRE maximized the value of the property in a tightly orchestrated competition amongst this final group, AT&T selected Inland Real Estate as the winning bidder at a price of \$205 million, which sets a new record for office property sale in metro St. Louis. By comparing bids under both alternatives for capital expense responsibility, AT&T was also able to minimize its future capital exposure without sacrificing sales proceeds.

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AT&T's price expectations were exceeded, and it was able to report a major success in its monetization program prior to the year-end deadline under which CBRE operated. This transaction represents yet another excellent example of CBRE professionals from multiple disciplines working together to execute a timely financial solution for the client.

TEAM

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