

CI 102 Industrial Case Study Sample Answers - 1Q-2022

Task 1:

1. Do all the prospective sites fall within the 15-mile radius? **Yes**

Task 2:

1. Based on your analysis, do any of the sites have a locational advantage for being in closer proximity to a higher concentration of existing industrial using businesses? **Site 3 - Farmers Branch is closest to the concentration of industrial using demand.**

Task 3:

1. What is the total population that can be serviced within a 30-minute drive time for each of the three sites?
 - a. **Site 1 = 1,949,734**
 - b. **Site 2 = 2,539,653**
 - c. **Site 3 = 3,489,414**
2. What is the total number of households that can be serviced within a 30-minute drive time for each of the three sites?
 - a. **Site 1 = 717,330**
 - b. **Site 2 = 908,838**
 - c. **Site 3 = 1,328,309**
3. Based upon customer access, does one site have a clear advantage over the others, and why? **Site 3 - Farmers Branch has the highest concentration of population and households within a 30-minute drive time**

Task 4:

1. Which is the lowest allocated land cost/SF of the three potential sites? **Site 1 - McKinney at \$5.20 per SF**
2. Which of the three sites has the highest additional building area that could accommodate future potential construction? (Determine net sf for each site.) **Site 1 - McKinney at 806,800 additional building area in excess of the initial 500,000 contemplated building.**
3. Which of the three sites has the highest investment risk if the remaining excess land area isn't developed in the future? **Why? Site 1 - McKinney has the highest investment risk if the remaining excess land area.**
 - a. **Site 1 = 806,800 SF additional building area x \$5.20/SF = \$4,195,360**
 - b. **Site 2 = 589,000 SF additional building area x \$5.60/SF = \$3,298,400**
 - c. **Site 3 = 371,200 SF additional building area x \$9.47/SF = \$3,515,264**
4. Which of the three sites is likely to have the greatest challenges during the construction process? **Why? Zoning changes create uncertainty as does demolition of existing improvements, but Site 2 possibly has the highest risk do to it's proximity near a residential area, which could be problematic in obtaining a zoning change.**
 - a. **Site 1: Requires zoning change and has creek on site with 5-acres undevelopable**

- b. Site 2: **Requires zoning change and is located near a residential area which could resist the zoning change**
- c. Site 3: **Requires demolition of existing obsolete buildings**

Task 5:

1. Are there any environmental or regulatory issues to be considered prior to property purchase? **Demolition of site 3 could create environmental risks and building near the creek in site 1 also carries environmental risks.**
2. What incentives could be requested from the city by the purchaser? **Potential incentives include property tax reductions, inventory and sales tax reductions as well as job training programs for a prospective new business relocation, waiving of impact fees to connect to roads and utilities, and the city providing road and utility improvements to the site.**
3. What are potential political or legal barriers? **Required zoning changes for sites 1 & 2 are legal barriers.**

Task 6:

1. What is the average rent for the selected submarket?
 - a. **Site 1 = \$7.07**
 - b. **Site 2 = \$4.84**
 - c. **Site 3 = \$5.17**
2. What is the average vacancy rate for the selected submarket?
 - a. **Site 1 = 10.3%**
 - b. **Site 2 = 16.9%**
 - c. **Site 3 = 8.2%**
3. How does the asking rent growth rate trend for the selected submarket compare with Dallas overall? **The 1-year asking growth rate trend for Dallas overall = 3.3%**
 - a. **Site 1 = 3.3% equals Dallas overall**
 - b. **Site 2 = 5.8% exceeds Dallas overall**
 - c. **Site 3 = 2.8% lags Dallas overall**

Task 7:

1. Based upon the results in the Sale Proceeds (tab 10 / line 13), what is the Pro Forma Profit for your site?
 - a. **Site 1 = \$21,026,273**
 - b. **Site 2 = \$3,113,525**
 - c. **Site 3 = \$4,453,528**
2. Based upon the results in the Sale Proceeds (tab 10 / line 14), what is the Net Profit Mark-up on Cost for your site?
 - a. **Site 1 = 78.5%**
 - b. **Site 2 = 11.4%**
 - c. **Site 3 = 14.2%**
3. Based upon the results in the Sale Proceeds (tab 10 / line 15), what is the Net Rent Constant Spread for your site?

- a. **Site 1 = 5.21%**
 - b. **Site 2 = 0.76%**
 - c. **Site 3 = 0.94%**
4. Based upon the Decision Chart (tab 11), what is the best hold versus sale strategy assuming a 12% reinvestment rate? **Refinance and hold for 6-years**

Task 8:

1. What is the final solution you have arrived at based on the analyses conducted?
 - a) Industrial submarket and why this is the best overall location **Site 1 has the highest profit potential but also has the highest risks if the excess land isn't developed in the future.**
 - b) Recommended site that best meets the desired location criteria and why this is the best choice **Site 3 has the greatest locational advantages to existing industrial demand**
2. How does your solution address the prospective user's expectations and needs? **All 3 sites are within the targeted 15-mile radius of the potential customer, but sites 1 & 2 require rezoning so timing of being able to start the development process could be delayed.**
3. What is the associated risk for each site if you don't get the prospective user? **Site 3 has the highest overall speculative risks since it has the highest land cost per buildable area.**