

Meadowville Distribution Center

Bailard Real Estate Fund

ACQUISITION DATE
March 16, 2023

LOCATION
Chester, VA
(Richmond MSA)

PROPERTY TYPE
Industrial -
Distribution Warehouse

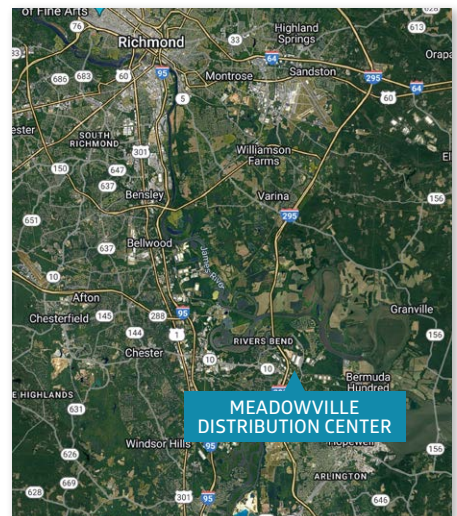
YEAR BUILT
2022

SIZE
353,044 square feet (SF)

PARKING
207 vehicle stalls
83 trailer stalls

OCCUPANCY
100% leased

PURCHASE PRICE
\$38.0 million (\$108/SF)



Meadowville Distribution Center Chester, VA

THE PROPERTY

Meadowville Distribution Center (the “Property”) is a newly constructed warehouse/distribution property totaling 353,044 square feet. The Property is 100% leased to CCBCC Operations, LLC (“CCBCC”), a wholly owned subsidiary of Coca-Cola Bottling. CCBCC’s lease runs through January 2028, at a starting rent of \$5.75 per square foot, with 3.5% annual escalations and two, five-year renewal options.

Completed in July 2022, the Property is located in Chester VA, a high-performing submarket just south of Richmond. The Property offers CCBCC direct access to Interstates 295, 95, and 64, as well as its regional bottling plant less than 20 miles away.

The Property sits on 54.3 acres that includes 207 auto parking spaces and an above-market 83 trailer spaces. The Class A Property is finished with 36’ clear heights, all concrete truck courts and 62 dock-high doors.

Meadowville Distribution Center represents an attractive opportunity to acquire an impressive industrial building well-located in a strong industrial market node at an appealing price.

THE OPPORTUNITY

Purchase a Well-Located, 100% Leased, Class A Industrial Property – The Property is located in Meadowville Technology Park, one of Virginia’s premiere master-planned industrial parks. The park hosts major industrial users including Amazon, Altria, Dominion Energy, PepsiCo, and Brother International.

Situated at the intersection of I-64 and I-95, Richmond occupies an enviable place in the east coast’s distribution corridor providing users with access to the Port of Virginia and allowing industrial users to reach 65% to 70% of all U.S. customers within a two-day delivery radius.

Potentially Benefit From a Strong Cash Flow – The Property offers a strong initial yield (Year 1 Return-on-Investment and Return-on-Equity of 6.0% and 6.5%, respectively) and 3.5% annual rent increases, providing a 6.8% average Return on Equity during the expected hold period. The Richmond market has experienced strong rental rate growth over the past 12 months with current market rents estimated to be 20% above the

in-place rent at the Property, providing upside potential at lease expiration.

Minimal Capital Required – Given the triple net lease structure, costs for repairs and maintenance, cleaning, utilities and taxes are all paid directly by the tenant, limiting the Fund’s exposure to inflationary pressures on operating expenses. Coupled with the net lease structure, the Property’s 2022 vintage and excellent construction quality limits the need for the Fund to invest significant dollars into the Property during the anticipated hold period.

IDENTIFIED RISKS

Single-Tenant Rent Roll – As with any single-tenant investment, there is risk associated with one tenant having financial problems or leaving the property. While there is a possibility that CCBCC vacates after its initial five-year term, given the quality of the construction and the flexibility of the building’s design, the Fund is confident in its ability to quickly re-lease the space. The Property has a functional, modern design that is highly desirable for distribution/warehouse users. With multiple storefronts, the 353,044 square-foot Property is also easily divisible into smaller spaces, if needed. The strategic positioning of the overall Richmond market and access to the Port of Virginia has transformed Richmond into a stable and growing industrial market, evidenced by 11.8% year-over-year rent growth and a 3.8% market-wide vacancy rate.

Increasing Market Supply – Richmond’s industrial inventory of 145 million SF has grown by approximately 12 million SF (9%) in the past three years and currently has an additional 6.6 million SF of industrial space under construction as of Q1, 2023 (4.6% of its current inventory). Despite the new supply, market demand has outpaced supply with 8.4 million SF of absorption in the past year alone. Current Chester I-95 S submarket vacancies sit at 2.7%, substantially tighter than the healthy market-wide rate of 3.8%. New supply may cause some near-term headwinds, but the Property’s strategic location and manageable size help differentiate it from other recently delivered properties.

Smaller Market Liquidity – While it is a high-growth industrial market, Richmond is not a “Gateway” market

that the largest institutional investors have traditionally prioritized. Regardless of its size, Richmond is a well-positioned market with convenient access to rail, air, ground, and sea transportation. National users have taken notice, as 85% of the current development pipeline is pre-leased. Beyond traditional industrial users, the market has also attracted new manufacturing operations including LEGO's first U.S. plant—to be completed in 2025 at a cost of \$1 billion, located three miles from the Property.

THE INVESTMENT

The total purchase price, inclusive of closing costs, was \$38.0 million (\$108/SF), equating to a 6.0% Year 1 Return-on-Cost. The Fund secured a 50% LTV seven-year loan at a fixed rate of 5.625% with a four-year interest-only period. The Property is wholly owned by the Fund.

PROJECTED RETURNS*

Projected five-year levered IRR of 10.4% and a 1.5x equity multiple net to the Fund.

** Projected Returns are hypothetical in nature. There can be no assurance that this investment will achieve such projected returns. Please see important disclosures regarding these hypothetical returns at the end of this document. IRR and Equity Multiple represent the investment's projected returns, net of joint venture partner fees and investment-level leverage. As such, Fund-level fees and expenses are not included in the calculations.*

RISKS

The Bailard Real Estate Investment Trust, Inc. (the "Bailard Real Estate Fund" or "Fund") invests primarily in real estate. As a result, an investment in the Fund entails significant risks that are customarily associated with the development and ownership of income-producing real estate, including illiquidity, changes in supply and demand, and inexact valuation. Fees and expenses may offset the return on the investment. The Fund may be leveraged. An investor may lose all or a substantial portion of the investment. Specific investments described herein do not represent all investment decisions made by Bailard. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future. This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Bailard or consult with the professional advisor of their choosing. For a more thorough discussion of the risks involved in making an investment in the Fund, please refer to the Offering Memorandum. The Fund's shares fluctuate in value and may be illiquid due to a lack of a right of redemption, the lack of a secondary market, and restrictions on transfer. Shares of the Fund, if offered, would be available for purchase only by accredited investors who could bear a loss and hold shares of the Fund indefinitely. This information does not purport to be complete and is qualified in its entirety by, and an offer or solicitation will only be made through, a final Confidential Offering Memorandum.

DISCLOSURES

Forward Looking Statements

This piece includes forward-looking statements, which involve a number of risks and uncertainties and actual results may differ materially from these forward-looking statements.

Projected (Hypothetical) Returns

The Fund does not guarantee any minimum level of investment performance or the success of any investments. The Projected Returns presented in this document are hypothetical in nature. Target performance should not be considered indicative of the actual results that may be realized or predictive of the performance of the investment in the property discussed herein (the "Investment"). Projected Returns have many inherent limitations; they do not reflect the impact of material economic/market factors might have on the Manager's decision-making. The Projected Returns presented here may not be the same as the actual performance of the Investment. The Projected Returns were calculated using a model and were based upon assumptions determined by Bailard. The model uses assumptions for factors that include development period, lease-up period, rental rates, vacancy loss, revenue, operating expenses, net operating income, debt capital markets, hold period, exit value, and closing costs, among other things. The actual returns of the Investment will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale and related fund level reserves, all of which may differ from the assumptions and circumstances on which the valuations used in the target returns contained herein are based. Projected Returns are not guaranteed, and a loss of principal may occur.

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Published May 2023