

LARGE LEASE CAPITAL ADVISORY CASE STUDY



935 N. ELDRIDGE PARKWAY

CLIENT	ConocoPhillips
PROPERTY NAME	Energy Center III
SERVICES PROVIDED	Finance Advisory, Leasing
SIZE	548,685 SF
VALUE	USD\$277.5M
LOCATION	Houston, Texas
TRANSACTION PERIOD	Q4 2015

THE PROJECT

- Client serves as a world leader in energy discovery and production. Operating in 25 countries around the world and headquartered in Houston, TX, Client utilizes its expansive scale and international positioning to be an exceptionally innovative and efficient producer of oil and natural gas.
- Client's Houston location serves a strategic purpose situated in Energy Corridor, a district that houses some of the most prominent energy companies in the world. CBRE, also a company with global presence, understood this correlated need and solved for a customized solution that qualified as the best fit for the client.
- When Client expressed a need for expert leasing and real estate guidance, CBRE quickly delivered robust analysis and customized solutions to demonstrate its dedication to finding the best fit for Client. CBRE was able to provide this service due to its unique capability to blend real estate as well as finance advisory together in a comprehensive approach. Not only are both companies global, they share common values of trust, integrity, respect and service for their employees, clients, investors, and associates, binding them at the core.
- In 2015, ConocoPhillips signed 11-year leases for two new buildings located in Houston. A nationally recognized Developer developed these particular office buildings in Houston's Energy Corridor. Upon completion the Developer chose to sell the property due to the unique nature of this opportunity and favorable capital markets conditions.

SOLUTIONS

- A Houston-based CBRE Vice Chairman and advisor to Client notified the CBRE Corporate Capital Markets team of the sale. He asked the team for a comprehensive analysis on alternatives to control or affect the sale to benefit the Client. The Client posed three main questions: How can it reduce expenses? Should it maintain control of this important asset for its company? Should it continue its operating lease treatment for accounting purposes?
- CBRE's Corporate Capital Markets team quickly developed an in-depth analysis to create solutions that best answered these three questions. By working in tandem with the Client, the CBRE team proposed an atypical, yet perfect solution that caused the property to be acquired with a credit-based lease financing structure designed to achieve all three of the Client's key objectives.

RESULTS

- The CBRE Corporate Capital Markets team represented and worked with Client in order to win the bid and secure the property. In parallel they sourced, negotiated, and executed the selected capital structure, which would acquire the building subject to the new lease. This allowed Client to maintain control of this important asset for the company, as well as reduce expenses.
- In the first year alone the rent was reduced by 80 percent, dropping from \$14,402,981 in the former lease with the Developer to \$3,058,100 under the new lease financing structure executed by the CBRE team. This shift in the leasing structure that CBRE recommended proved to provide the perfect solution for Client.