



BKM Capital Partners adds \$520 million of high-quality infill assets in 2023

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Brian Malliet

Newport Beach, CA BKM Capital Partners (BKM), the largest owner and operator of small-bay industrial real estate in the Western U.S., has provided an update on the Company's 2023 activity. BKM owns or has interests in properties that represent a total of 10.3 million square feet valued at \$2.2 billion. Since its inception in 2013, BKM has completed 95 transactions involving 16.7 million s/f and with an aggregate value in excess of \$3.3 billion.

BKM Capital Partners continues to showcase its expertise and leadership in the sector, strengthening both its investment capabilities and its portfolio. The firm was exceptionally active in 2023, completing several strategic acquisitions aggregating more than \$520 million. This includes 11 transactions across 15 properties, conducted in collaboration with five major institutional partners. BKM secured more than two million square feet of leasing commitments during the year as well.

"We've always believed in the light industrial asset class and today is no different, regardless of broader concerns about weakness in commercial real estate," said Brian Malliet, CEO of BKM Capital Partners. "There's no property distress in industrial, but there is seller distress amongst industrial owners. In today's quiet deals market, while people wait on the sidelines, the lack of competition coupled with sellers needing liquidity or an exit, is also an advantage because bargaining power is much more on the buyer side.

"That distressed seller landscape has further provided us with a robust pipeline of investment opportunities, often at an additional discount to current market value," Malliet said. "Given the strong mark-to-market leasing spreads, underpinned by consistent demand from quality growth industry tenants and a lack of new supply, we are leaning into our strategy and see it as an opportunity to take advantage of dislocation in the markets ahead of the pack. We're confident that we will look back on 2023 and 2024 and realize it was a terrific vintage for light industrial real estate."

BKM's investment strategy capitalizes on identifying underperforming properties located in high barrier-to-entry markets with in-place rents that are 30-50% below market rates. These factors create a conducive environment for rapid property-level NOI growth without relying on future market rent growth, or exposure to potential oversupply scenarios.

"As we move into the next phase of our growth, our focus will remain on identifying and capitalizing on strategic investment opportunities that align with our core mission," Malliet said. "We are confident that our approach, combined with our deep market knowledge and execution expertise from our operator platform, will continue to deliver the outsized returns our investors and partners seek in this market."

2023 Notable Activity

- Added \$520 million of new assets comprising 2.2 million s/f across 15 high-quality light industrial parks in key markets.
- Assembled a geographically diverse seed portfolio for third flagship fund, totaling more than \$170 million and nearly one million s/f, with significant price discounts.

- New partnerships with BGO Strategic, Investcorp, and Stepstone Real Estate, among other institutional partners.
- Completed 585 new and renewal leases comprising over two million s/f.

In 2023, BKM acquired 15 properties in 11 transactions, making it the most active light industrial operator in the Western U.S. The acquisitions involve 2.2 million s/f in Portland, OR, Las Vegas, NV, Phoenix, AZ, Denver, CO, and California. They include:

- Airport Business Center in Portland, OR (11 buildings, 228,518 s/f)
- Valley View Business Center I-IV in Las Vegas (15 buildings, 481,135 s/f)
- Decatur Crossing II in Las Vegas (three buildings, 140,596 s/f)
- Sunset Business Center in Las Vegas (two buildings, 71,298 s/f)
- Gateway Business Center in Las Vegas (46,888 s/f)
- Decatur Business Center in Las Vegas (88,205 s/f)
- Valley East Industrial Park, renamed Backlot NoHo, in North Hollywood, CA (two buildings, 84,388 s/f)
- Commerce Carlsbad, renamed Pacific Coast Industrial Center, in Carlsbad, CA (eight buildings, 129,928 s/f)
- 217 Distribution Center in Portland, OR (five buildings, 451,602 s/f)
- Gateway University Business Park I & II in Phoenix, AZ (16 buildings, 268,409 s/f)
- Junction Business Park in San Jose, CA (two buildings, 119,101 s/f)
- West 6th Center, renamed Baker Exchange, in Denver, CO (122,783 s/f)

These activities highlight BKM's proficiency in navigating the industrial real estate market, alongside its ability to forge significant partnerships with major institutional players.