

Columbus Mobility Hub

Executive Summary

In 2017, NOYACK Capital purchased the Columbus Mobility Hub, an 11 story parking structure located in the heart of Columbus, Ohio's Central Business District with the express purpose of adding value and transforming this single use asset into a logistics-oriented Mobility Hub. The property was built in 1986 and had been exceptionally maintained. The structure served as the first parking choice for commuters to downtown Columbus, adjacent to the 47-floor Columbus Tower, home to the 150-room Marriott Autograph Collection Hotel, Columbus Residences, so there was an existing base of parking demand and revenue.

By the Numbers

- Year Acquired: 2017
- Square Footage: 352,000 SF
- Purchase price: \$35MM
- Asset value: \$50MM (1)
- Debt: \$32MM (64% LTV) (2)
- Interest Rate: 4.00%
- Remaining Loan Term: 6.8 Years (2)

NOYACK Capital paid \$36 million for the property which included the assumption of \$21 million in existing debt and mezzanine note from the Seller for \$6 million. This innovative acquisition structure allowed NOYACK to implement the changes necessary for the asset to consider additional categories of tenancy such as: Amazon & Walmart delivery lockers remotely enabled via smartphone; EV charging stations; robotic delivery drone hub; cold storage pods and vehicle storage.

Recently The Columbus Mobility Hub was appraised for a 38% increase over the original purchase price by the end of only the fourth year. This appreciation can be attributed to NOYACK Capital's operational improvements, a categorical transformation of the location, growing demand for parking in downtown Columbus, and the undervalued state of parking in the city.

Investment Thesis

In 2016 NOYACK Capital began building an investment thesis centered around transforming parking garages into multi-purpose logistics infrastructure known as Mobility hubs, a term created by CJ Follini and NOYACK. Why? Because the fundamentals of structured parking facilities are ideal for this newly created commercial real estate category because:

1. Parking garages are well located near urban MSA's with population density.
2. They are usually large structures that can occupy an entire city block.
3. They have excellent means of access and egress.
4. While parking alone is a good business, it can underutilize these large structures.

Deal Story

The value that can possibly be added with new sources of revenue should not be passed. In 2017, they put their thesis into action with the Columbus Mobility Hub. The property was originally bought as a "structured parking" asset with a market cap rate typical of this category. However, NOYACK believes there is ample opportunity to increase the overall value of the property by reclassifying its use into a more expensive category - supply chain real estate.

When NOYACK began exploring the possibility of purchasing the Columbus Mobility Hub, the seller had three properties on the market which they were selling as a group. NOYACK was only interested in the Columbus Garage and they proved with data that the Sellers would reap greater aggregate sales if the assets were sold individually. Thus the creative deal structure described above was crafted by NOYACK's acquisitions team led by CIO CJ Follini. The team looked at the debt as an asset, understanding that leverage, when used effectively, is a tool to improve returns, and rightsizing debt is an effective strategy to improve performance.

Debt Strategy

As described above, the Columbus Mobility Hub was purchased with a creative mezzanine loan from the Seller which was subordinate to the Senior Mortgage but coterminous. However, this meant that the asset was purposely under-levered which could be rectified with significant cash value once revenues have been increased from improved operations.

NOYACK waited three years before refinancing the property. By this time, the senior lender's defeasance penalty had burned off but the country was in the middle of a once in a lifetime pandemic and all business had stopped. Most real estate asset classes were suffering except one - supply chain infrastructure. Thus NOYACK's repositioning was prescient in that Lenders were only financing supply chain real estate and the Columbus Mobility Hub received a top quality debt terms from a long term life insurance lender for \$31 million at a fixed, attractive interest rate.

Operational Enhancements

NOYACK used the excess proceeds to return half of every investor's principal while still maintaining the quarterly distribution amount thus doubling the annual returns overnight. This is the essence of successful debt rightsizing.

NOYACK Capital asks three key questions when they are underwriting a property:

1. Is this an attractive entry price relative to future returns?
2. Can we operate the property in a way that improves profitability as currently constituted?
3. Can we enhance and add to the existing revenue sources as well as improve the future
4. Value of the asset by repositioning into a more expensive asset class?

When NOYACK purchased the Columbus Mobility Hub they knew the answer to all four questions would be 'yes.'

The entry price turned out to be the lowest average square foot price of a Class A facility in the past six years. Then the first operational improvement available is to install an automated parking system which improves profitability, margins and eliminates theft. Installing the latest technology of cashless systems using QR codes and Apple play is typical of the technology-centric approach of the NOYACK operations group.



Value Creation: Category Repositioning

The Columbus Mobility Hub is currently transforming from a structured parking garage with one category of revenue (parking) into a wholly new asset class - Mobility Hub. Firms like Amazon, Walmart, and various cold storage companies have shown interest in using the facility. In addition, negotiations are underway with charging station companies. These new revenue streams coupled with the repositioning as a supply chain asset will translate into a sale that greatly exceeds the original return rate of return expectations.

Technology Improvements

After which the garage can now be equipped with LIDAR scanning sensors allowing NOYACK to employ dynamic pricing strategies. Prices can be raised and dropped depending upon inventory with the push of a button on a manager's smartphone. In addition to these changes, NOYACK can also install LED boards in the garage. These boards are WiFi-enabled to allow for the real-time dynamic pricing previously mentioned. For example, if there is a time of day where occupancy is low then the prices can be lowered by the manager instantly on the LED price board. Through integrations with apps like Google Maps and Waze, the Columbus Mobility Hub is able to offer instant promotions and discounts pushed directly to people's phones via geofencing and digital advertising. This targeted marketing has been extremely successful in filling up the garage and maximizing revenue.

Takeaways

The Columbus Mobility Hub is a great example of several aspects of why NOYACK exceeds return expectations for its investors:

1. Vision - identify an opportunity not apparent to others
2. Acquisition Acumen - extensive experience enhanced with creativity leads to positive deal outcomes
3. Operational Expertise - the ability to unlock an asset's potential by increasing its profitability or the possibility for a new classification
4. Technology Savvy - use technology to drive improved profit margins and lower expenses.
5. Debt Strategy - understanding the myriad ways to utilize debt to enhance value is a skill that few possess. NOYACK has proven to be one of those few.