

# SAN DIEGO BUSINESS JOURNAL

## Cell Towers Are Technological 'Tenants' With Deep Pockets

### PROPERTY: Experts Can Help in Negotiating Equitable Placement Deals

■ By LOU HIRSH

The continuing push among major wireless carriers to boost local infrastructure is bringing opportunities and challenges for commercial property owners who lease space — or may be considering leasing space — to the carriers for their towers.

Those carriers, led by **Verizon Communications Inc.** and **AT&T Inc.**, are faced with the increasing use of data-heavy services accessed on mobile devices by consumers and businesses. San Diego County has more than 3,000 cell tower sites, with another 200 proposed for construction in 2014, according to a recent report by brokerage company **Cassidy Turley**.

**Nick Foster**, a local tower-placement consultant, notes that some properties in the region have four or more cell towers in place, and leasing income from those towers can be as much as 15 to 20 percent of all revenue generated by a property.



Nick Foster

"In my experience, eight of out 10 property owners when approached will say yes to leasing space for a cell tower, and the other two will say they just don't want to deal with it," said Foster, president of **Airwave Advisors** in San Diego.

Foster previously worked in Cassidy Turley's cell-site services group before recently leaving to found his own company. He's been fielding increasing queries over the last few years from property owners, developers, investors and others seeking advice on how to deal with or approach the carriers.

New local tower sites are currently being scouted primarily by Verizon (NYSE: VZ) and AT&T (NYSE: T), he said, though all four of the top providers, including **T-Mobile US Inc.** (NYSE: TMUS) and **Sprint Corp.** (NYSE: S), are involved in continuous upgrades to existing towers.

### Deals Mostly Start With Carriers

Generally, Foster said interest in a particular location must start with the carrier, usually when a radio-frequency engineer determines that there are regions where the carrier needs to bolster its signal strength. The carrier then approaches owners of properties — most frequently office, industrial, retail and church buildings — and begins negotiations if there is interest.

Depending on location and other factors, local monthly leasing rates have generally been finalized in the range of \$2,000 to \$3,000 per tower in recent months, though Foster said carriers will start negotiations well below those numbers.

In most cases, cell tower leases are drawn up by the carrier's attorneys, and deals are rarely re-negotiated after they are signed.

"A property owner is going to be locked into that lease for 25 to 30 years, so it's really important to have that looked over first by their own real estate agent or attorney," Foster said.

There remain limitations on tower designs and where they can be placed. Most communities do not permit them in residential developments, and San Diego County has placed a moratorium on building standard-issue metal towers, allowing in some cases for towers that look like trees or have other "stealth" designs to match surroundings.

### Cell Tower Growth Spurs Niche

U.S. wireless carriers in 2013 invested more than \$34 billion in capital investments, representing about 24 percent of the world's wireless capital investment,

according to the trade group CTIA — The Wireless Association, formerly known as the Cellular Telecommunications and Internet Association.

Growth in tower placements and related infrastructure development has spawned several offshoots in the realm of commercial real estate. In addition to consulting firms, those include national companies that focus primarily on developing potential cell tower sites and acquiring existing tower leases.

Several of those have local operations, including **TowerPoint Capital** of Atlanta, **Wireless Capital Partners LLC** of Los Angeles and San Diego-based **AP Wireless Infrastructure Partners LLC**.



Robert O'Brien

The U.S. commercial investment arena is being impacted in ways similar to those seen earlier in markets like Asia, where wireless infrastructure began to be developed well before the American market, consultant **Robert O'Brien** said.

There are now U.S. real estate investment trusts that focus on cellphone infrastructure, similar to previous entities formed to concentrate on nontraditional, income-producing holdings like data centers, document storage facilities, timber and billboards.

"They're seen as a more efficient way to finance the acquisition and development of these kinds of properties," said O'Brien, a partner and U.S. real estate services leader at **Deloitte & Touche LLP**.

For instance, Deloitte reported that data center REITs have posted strong growth in recent years, thanks to increasing adoption of cloud computing and demand for analytics and data storage.