



Learners Guide

Welcome to Cold Storage

Cold storage has recently made its way into the spotlight as an asset class and now represents a \$98.1 billion market globally with a compound annual growth of 12.1% projected through 2025. This course will explore the growing asset class and provide insights for professionals looking to enter the space.

Throughout the course, Connect Classroom has created course content, which encourages ongoing conversations rather than rote memorization. Enjoy listening to panel conversations about topics relevant to your work.

CE Credit: 1 hour

Video length: 30 minutes

Estimated time to complete course: 1 hours

Disclaimer Statement

This course is approved for continuing education credit by the California Department of Real Estate. However, this approval does not constitute an endorsement of the views or opinions which are expressed by the course sponsor, instructors, authors, or lecturers.

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LESSONS

LESSON 1: COLD STORAGE IS EMERGING AS A NEW ASSET CLASS

- Cold storage now represents a \$98.1-billion market globally
- Proper planning is required for facilities to be flexible enough for dry, temperature-regulated, and frozen storage operating environments.

LESSON 2: INVESTORS WARM UP TO COLD STORAGE DEALS

- Despite its recent growth, cold storage remains a specialized sector with unique challenges.
- Over the past three years, the cap-rate gap between cold storage and traditional warehouses has narrowed from 200 basis points to 75.
- Transaction volume for U.S. cold storage facilities has increased at an annual rate of 6.2% since 2014.
- Historically, there have not been many institutional investors interested in the cold-storage sector. That has changed recently though.

LESSON 3: COLD STORAGE EXPERTS DRILL DOWN INTO A HOT SECTOR

- The surge of interest in the cold storage space has been fueled by the growth in e-commerce and the online ordering of food.
- Retrofitting an existing property to meet cold storage requirements can be nearly as costly as building from scratch.

LESSON 4: COLD STORAGE: THE HOT NEW ASSET CLASS

- ***What do people need to know to get into the Cold Storage space?***
 - It is difficult to retrofit existing properties for cold storage use
 - Cold storage properties do offer higher yields
- ***From a builder perspective, what are the common questions you get?***
 - Everyone wants to take a dry asset and take it cold. What people don't understand is that cold storage facilities need insulated floors with heat under it.
 - The cost to retrofit is equal or close to the cost of building one from the ground up.

Lesson 5: GEOGRAPHICALLY, WHAT'S DRIVING COLD STORAGE DEMAND?

Lesson 5: Video

Est. Time: 4:28

- ***Geographically, what's driving cold storage demand?***
 - A lot of the existing cold storage assets are antiquated. There are low ceiling heights as well as inefficient equipment.
 - Demand is difficult to quantify.
 - There is actually shrinking supply. From 2015 to 2018 there was an 18 or 20% drop in inventory. Many times, cold storage facilities get converted to dry storage when equipment becomes antiquated.
- ***How is e-commerce demand physically affecting cold storage facilities?***
 - All of the food coming through the supply chain is going through cold storage facilities.

- From a COVID-19 standpoint, companies like Instacart and GoPuff are delivering directly to consumers from industrial cold storage warehouses. It is difficult to have all components (cold, dry and frozen) go directly to consumers.
- **Will Demand go down when people start going back to work or when we get a COVID vaccine?**
 - Experts don't think it is going to reset.

Lesson 6: WHAT ARE THE SPECS AND COSTS OF COLD STORAGE?

Lesson 6: Video

Video Link: [CE Phase 1 Video 6](#)

Est. Time: 2:53

- **What are the specs and costs of Cold Storage and how do you make your investment pencil?**
 - A lot of it is land costs and a lot of it is availability of utilities.
 - Not every piece of property is conducive to large power or sewer consumption.
 - As markets become hot, cold storage can afford to pay a bit more because the land is a smaller cost of the overall facility.
- **Is the valuation the same for cold storage vs. dry storage?**
 - It's similar, there's just a bit more risk. The big difference from an investor standpoint is that dry is well known. The cold storage spec idea is no different than when investors were talking about doing spec industrial deals 5-10+ years ago.
- **On the investment side, is there a shelf life for cold storage?**
 - Traditionally, the equipment will last for around 30 years.
 - New systems now have smaller motors that you can replace parts on.
 - One of the important elements of cold storage buildings is the height. Because you can refrigerate a 50-foot-tall building for the same cost as you can refrigerate a 40-foot-tall building.

Lesson 7: What are some of the risk factors?

Lesson 7: Video

Video Link: [CE Phase 1 Video 7](#)

Est. Time: 1:01

- **What are some of the risk factors when investing in cold storage?**

From an environmental and safety standpoint you might have an ammonia issue. That is a dangerous substance.

There is also a risk, from an operational standpoint, that certain pieces of equipment might not work.

- **What types of questions are clients asking experts about the risks?**

'What happens when new systems come out and become more efficient?'

Although systems last for as long as 30 years, what happens when a new upgrade comes out that is more efficient than your equipment?

The biggest risk is how can landlords backfill facilities once tenants leave?

Lesson 8: HOW WOULD A COVID-19 VACCINE AFFECT THE COLD STORAGE MARKET?**Lesson 8: Video****Video Link: [CE Phase 1 Video 6](#)****Est. Time: 2:53**

- **When a COVID-19 vaccine is developed, cold storage facilities are going to need to keep large quantities viable, does that change any of the current construction or materials needs?**

It depends on what temperature it needs to be stored at. If it needs to be stored at 38 degrees then most dry buildings can be retrofitted to store that. If it needs to be at negative 70 degrees, then that's a totally different animal.

Vaccines need to be stored at a wide variety of different temperatures.

The economics become difficult depending on how long we will need to hold vaccines and how low of temperatures they need to be held at.

FINAL EXAM

Please complete the following exam to receive full continuing education credit. You will be able to take the exam twice and must have a 70% score to pass.

While taking this exam, please ensure that you are in a private room to avoid distraction with a stable wi-fi connection. Once you begin the exam you will be unable to pause it or restart it. If you do not pass within 2 attempts, the course will need to be retaken.

Once you have successfully passed the course exam, you will be directed click a button to continue on to receive your certificate.

Before the learner can download their certificate, they must verify the following information:

I, NAME, certify and ensure that by written statement signed under penalty of perjury that the participant enrolled is the person completing the course.

First Name:**Last Name:****State Recognized ID:****Professional License Number:**

If any of this information is missing or incorrect – STOP NOW! – and click the **“Update Information”** button.

This is important as it'll be used on your certificate!

A pop-up dialog box will give the learner an opportunity to correct erroneous information or add in missing information. When all of the information has been updated, click "**Update**" button. Finally click the "**I Confirm My Details Are Correct**" button to return to the Course home page. The course certification will be available to download from the top of the page.

Thank you for completing the Cold Storage Course!

FINAL EXAM – TEST BANK: 10 Questions Pulled from a Question Bank of 30 Questions

10 questions, 1 minute each question = 10 minutes to complete