



Longs Drug Stores

Seeking to move a distribution center off its balance sheet yet maintain operations until a replacement facility was built, this leading West Coast pharmacy chain found a sale leaseback to be just what the doctor ordered.

The Challenge

With construction of a giant new distribution center under way as part of a corporate strategy to double distribution capacity serving its 476 stores, Longs Drug Stores turned to First Industrial Realty Trust for a flexible real estate solution that would allow them to sell off an existing distribution center — yet keep it fully operational until construction of the new facility was complete.

Our Approach

First Industrial's team crafted a sale leaseback that involved acquiring Longs' existing 436,000 sf. distribution center in Lathrop, Calif., including eight acres of adjacent expansion land, and leasing it back to the retailer while its new 810,000 sf. distribution center in nearby Patterson was under development.

Understanding Longs' need to remain in the facility for a short-term period, First Industrial arranged a flexible lease term with a termination option that gave the company the time it needed to install a complex automatic materials-handling system and plan for a smooth consolidation of operations at the new facility.

The Outcome

By working closely with a real estate partner with a strong financial position and local market knowledge, Walnut Creek, Calif.-based Longs was able to quickly free up capital locked in an asset that could be better applied toward the retailer's initiatives of centralizing merchandising and improving its supply chain.

Development
Acquisition
Multi-Market
→ **Sale Leaseback**



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