Cell Tower Leases:

BIG Value-Adds for Commercial & Industrial Properties

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With the rise of last-mile distribution, industrial property owners are seeing high returns on their investments. But those owners can add even more value to their properties by leasing space to cell phone service providers.

A cell tower lease is an agreement between cell phone service providers ("provider") and a property owner, allowing the provider to install and maintain a cell service tower for a specified number of years at a predetermined lease rate, typically with multiple lease renewal options. More than 300,000 such towers are in operation throughout the United States, providing cellular service and data to consumers nationwide. As more Americans use cell phones and demand data reception in greater geographical areas, nearly 10,000 new cellular sites are constructed annually. Cell tower lease rates vary widely, but typically average around $45,000/year.

Allowing a provider to construct, maintain and lease a tower on an industrial or commercial property yields extra income to the property owner with few requirements. Most cell service lessees are primarily responsible for maintenance, repair, upgrading and removal, when appropriate, of the tower itself. Cell tower landlords merely collect rent income for many years. Additionally, if the cell phone tower lease is marketable to successive property owners, investors can reap more value when the underlying property is sold. In a real property sale the value of a cell phone tower lease is many times the annual cell phone tower lease income. In today's market the conveyance of the aforementioned $45,000/year lease can fetch fifteen times or more in additional property value, much higher than the $175,000 average cost to construct a cell phone tower.

On the other hand, an owner might not want a cell phone tower lease on their property. The tower takes up space, restricting that land from other uses. Cell towers also create long-term easements, further restricting use of other portions of the property. If the cell tower leases are not readily marketable, a commercial property's sale can be delayed or terminated altogether, especially if prospective purchasers have no interest in burdening the property with a cell phone tower lease.

Cell phone towers are currently in high demand, but that demand may change, depending on the cellular communications industry. Consolidations are ongoing within the industry. As of this writing, T-Mobile and Sprint are in merger discussions. Such mergers typically reduce the cell tower landlord's lease income upon merger consummation. Additionally, advances in cell phone tower technology could render existing cell towers obsolete. Several providers are developing more compact towers for mounting on office properties or other low height commercial buildings, potentially saving land space and expanding the variety of property types benefiting from such leases.


Liebman

Any property owner considering cell phone tower leases on their property should consult with experienced specialists. These specialized brokers and attorneys have substantial experience with cell tower leases and the purchase and sale of the affected properties. They advise as to the lease's structure, terms, ongoing marketability, legal compliance and appropriate market valuation throughout the initial lease and subsequent purchase and sale processes.

As consumers demand more cellular service, real estate owners can reap significant benefits from such demand. Cell tower leases provide property owners with long-term income and potentially substantial added value upon a property's future sale.