

Cellular towers — the new money tree

AUGUST 05, 2013 8:01 PM

Cellular communications towers are big business. It is the new “vertical” real estate many investors are cashing in on. Not only do commercial property owners who lease their building or land for an antenna tower make good income, but the telecommunications company who owns the tower does well too.

You may think your monthly cell phone fees are way too high, but when you look at all the costs involved with providing the service you can better understand why. One big cost to cellular service providers is the network infrastructure. To provide you a good quality and consistent signal, providers are always improving their network by installing antennas.

You may have read recently a new antenna tower was approved by the Napa County Planning Commission between St. Helena and Calistoga. This 130-foot cell tower will give subscribers improved service in about a 1.5 mile radius. There are approximately 40 cellular antennas in Napa County according to CellReception.com.

There are several different types of towers, two popular types are rooftop mounted and ground based. Ground based towers could be as tall as 250 to 500 feet in very rural areas, but most are in the 150 to 250 foot range. The taller, the better the coverage, which is basically 1.5 miles for every 100 feet.

In the past cellular providers owned and operated their own towers. However, since their new business model focuses more on improving their network rather than leasing sites to install antennas, this created a new and profitable business for telecommunication companies to build towers at sites they lease. The telecommunication company then leases tower antenna space to multiple providers creating a type of vertical real estate.

It costs a telecommunications company approximately \$300,000 to construct a tower. Then they lease antenna space on the tower to a provider for about \$5,000 month and one tower could accommodate antennas from five providers. That comes to \$25,000 a month or about \$300,000 a year per tower. A telecommunications company could net close to \$150,000 after paying rent and other expenses for one tower.

To a commercial property owner this creates a new income stream. Telecommunications companies are great tenants to have. They are quiet, good quality tenants who pay their rent on time, have very little maintenance issues and usually take space that is considered unrentable. They pay for every aspect of getting the tower installed: land surveys, building permits, road access, construction drawings, as well as getting approval through the city or county.

A lease to a telecommunications company for one tower could bring in as much as \$10,000 a month or more in rent to a property owner depending on size, location and type of installation.

This is an additional \$120,000 a year in income to the property owner over and above income received from leased space. A long-term lease from a telecommunications company could increase the value of that building by \$1 million or more as a result of this added income.

Any stories to share about cell towers on your property? Leave your comments or suggestions for future articles at BurtPolson.com.

*Burt M. Polson, CCIM, is a commercial real estate adviser with ACRES Real Estate Services Inc. He has been assisting clients in the sale, leasing and consulting of commercial real estate in the Napa Valley since 1992. He can be reached at 254-8000 or burt@acresinfo.com. His blog, *Real Estate in the Napa Valley*, can be viewed at BurtPolson.com.*