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Helping Corporations Sell the Undesirable

With creativity and forethought, unwanted assets can become hot property.

By Erik Kolar

If only every property was spacious, perfectly located, and environmentally sound. Unfortunately, as corporate real estate sellers know, many corporate assets have little to no buyer appeal.

Today an increasing number of undesirable properties are showing up on the market as a result of corporate downsizing, mergers and acquisitions, and Sarbanes-Oxley rules, which expose once-hidden depreciating assets, forcing corporations to act. But that doesn't mean these challenging, unwanted assets cannot be sold. In fact, the opposite is true: Unwanted assets are steadily becoming a larger part of the \$3 trillion corporate real estate industry.

Succeeding with unwanted assets takes specialized skills, often provided by outside advisers that help corporate sellers develop creative techniques that breathe new life into these tainted properties. Specialized marketing strategies are the secret to extracting the full potential and value of assets that would otherwise be tough sells.

Super Selling Strategies

Often corporate sellers look at real estate on the fundamental level of how fast will it sell. Unwanted assets, however, pose special challenges that require unique selling strategies.

One highly effective approach is to consolidate several "good" properties with an unwanted asset and package them as a single transaction. This allows sellers to offer unwanted assets at a very low rate. This tactic also gives sellers the opportunity to sell a property they might have otherwise overlooked, which beefs up their asset portfolio.

Another option is to do the opposite: Break large properties down into smaller pieces. This attracts buyers with small budgets and expands the property's market opportunity. Because the sum of an asset's parts is often bigger than the whole, selling large properties incrementally is an ideal way for sellers to increase their profit margin.

Lastly, corporations can create excitement around unwanted assets by turning negatives into positives. For example, if a buyer is interested in repurposing an old manufacturing plant into a modern office building, highlight classic architectural details -- wide-column spacing, high ceilings, large or broad window lines, façade, and brick work -- that can be preserved,



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refurbished, or updated. Existing architecture also can save developers money because they can rehab these details in future design plans.

These simple yet proven strategies often will help sellers seal the deal. But sometimes unwanted assets have thornier issues that are not as easily overcome.

Improving Bad Locations

Smart sales strategies won't help when properties are poorly located, especially when there aren't sufficient economic stimuli to support additional development. At least, that's the conventional thinking. In reality, location is not always as important as access. The last five years have seen an increased interest in mixed-use facilities -- with easy access to public transportation and improved infrastructure including roads, ramps, and bridges -- but often adjacent to abandoned, formerly inaccessible properties.

It is not economically feasible for corporations to create the necessary transportation hubs and other incentives that spur development in blighted areas, making it possible to profit from their unwanted assets. But they can partner with developers that have expertise with this type of redevelopment, know the process, and can work closely with government officials and bureaucracies to earn incentives and offset costs.

Countering Environmental Damage

Asbestos in the walls and leaking underground storage tanks are just two of the environmental hazards that limit the resale appeal for any property, yet they are often found in manufacturing and other corporate facilities.

To remediate these issues and protect themselves from liability if any hazards are overlooked, corporations often invest large amounts of capital to clean up properties without knowing what the final use will be.

A better approach is to proactively work with buyers experienced in environmental remediation to pen repurposing and development plans geared toward the property's future use.

Navigating Political Landscapes

Sometimes the challenge with unwanted assets has nothing to do with the property itself and everything to do with the surrounding community. Sellers should always be aware of local politics.

Frequently communities are more emotionally involved in unwanted assets than buyers and sellers -- especially when the situation concerns a plant closing or other matter that directly impacts the local economy. Corporations planning to get rid of undesirable properties should meet early and often with municipal officials, town planners, and community leaders to test the waters and build political support.

Sellers should distribute fliers and hold community meetings that foster a dialog about why the property is being sold and how that will benefit the community. They should consider engaging an experienced public relations firm to help craft the property's story and promote it to the community through local media.

Fear of the unknown can be eliminated by making the community an integral part of the transaction and speaking openly and frankly, quickly debunking rumors, and making sure the community understands how the project is aligned with their goals and benefits the local economy.

Back to Basics

These are just some of many strategies and tactics that can be used to turn unwanted assets into sought-after developments. And clearly, this largely uncharted territory demands a unique level of expertise that's not commonly found among corporations looking to dispose of such properties.

For this reason corporations increasingly are opting out of real estate business to focus on their core competencies and entrusting sensitive transactions to seasoned corporate real estate professionals. Commercial real estate professionals that understand this distinctive market can help corporations extract capital from unwanted assets and invest it back into their core businesses for a stronger balance sheet.

