

Case Study 3

A SELLING DILEMMA:

A national media corporation wanted to sell their building because it was too large due to the consolidation of their printing and personnel. We were asked to propose a selling price with a marketing plan, and propose an office space site search to which they would move their current personnel.

THE STRUCTURE:

Previous comparable sales indicated that the value of the 35,000 sf downtown building on 2 acres was approximately \$2.5 million, and suggested an asking price of \$2,995,000. The Seller shared with us that one of the competing real estate firms suggested it was worth \$2 million. Since we had previously developed a relationship with the Seller and had demonstrated strong market knowledge and penetration in the area, they engaged us to perform both functions.

THE NEGOTIATION:

The Upper Middlesex Office Market was very healthy, so we soon received two offers, from a developer who planned to rehab it for office space and from a medical user whose close proximity drove their desire for the property. We explored the idea of moving the Seller's office to the developer's nearby mixed use building, but during that period we received additional offers. Another developer who saw this parcel as a gateway to their nearby site submitted an offer. A third developer with a retail drug store tenant as an anchor soon submitted an offer, too.

Had we encourage the Seller to take the first offer they would have received approximately \$2.5 million. However, as we received indications that we would receive offers from other prospective buyers, we counseled the Seller to "wait one more day" to make a final decision. There was a succession of 5 business days where we had a conversation each morning, and before they told us their decision, I informed them that I had received yet another offer for an even higher price. How we wish we could provide comical situations so advantageous to all of our customers!

We had established that we would get over the asking price, so we turned our attention to another factor in the goals of the business: their legacy. Since they would continue to be in the community selling newspapers, and their former site would continue to be referred to as "their building" for a while, we asked the question: Should we consider what the buyer will do with the site? Since this was an important aspect of their future business we then set up a 'beauty pageant' comparing the plans of the potential buyers, so they would have a way to judge the competing proposals on a qualitative basis as well as on a quantitative basis (price). We included the Mayor and the Chamber of Commerce in this evaluation of the quality of the projects to develop more goodwill to the Seller.

Once the projects were reviewed, we notified all the prospective buyers that all interested parties should submit their 'final and best' offer with certain terms (deposit, timing, contingencies, etc.) to which they had all agreed, and to submit it by an established deadline.

HAPPY ENDING:

Our client received \$4.6 million for a property, far over the \$2,995,000 asking price. They also relocated their employees to an office in the heart of downtown with better windows and views and amenities, which they expect would increase morale. Their visibility in the community was also enhanced, which might result in more advertising revenue and higher circulation.

MORAL:

If we are engaged by a Seller, we are committed to getting the best price and terms, often over the asking price.