



The best of both worlds: Several specialty shops under one umbrella

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Madison Commercial Real Estate Services (MCRES) unifies four independent, but related companies. Each company offers a single, highly-specialized service to the commercial real estate market: title insurance, §1031 exchanges, lease abstracts / review and cost segregation studies. The umbrella entity, MCRES, serves as a coordinator—creating a seamless mechanism for joint efforts if and when they are needed.

This business model provides both Madison and its clients with a number of advantages:

- * The benefits of specialization—staff and management with in-depth expertise in a given area supported by the systems required to do the job right
- * The stability and cost-effectiveness provided by a larger corporate structure, and
- * The ability to adapt rapidly to changing situations.

"This structure allows us to customize our services to fit any circumstances," said Joseph Rosenbaum, president of MCRES. "Because each company operates independently, we can respond quickly to our customers' needs without going through layers of management bureaucracy. At the same time, our affiliation allows us to tap into expertise beyond our individual specialties if and when the situation demands it."

A Case in Point

Here's a recent example of the benefits of this structure. Madison's title company was working on a refinancing transaction for a large REIT. The transaction included two shopping malls with 120 tenants between them. Timing was a critical factor. If the client could not refinance by a set date, they stood to lose a considerable amount of money.

Part of the normal title clearance process is to review the leases to find out if any of the tenants have the right of first refusal and, if so, to obtain subordination agreements from them to protect the lender in the event of foreclosure. Given the sheer number of leases, it could easily have taken a title officer weeks to complete the review and prepare the subordination agreements (if required). But, the client didn't have weeks to get the deal closed.

Madison's title company was able to turn to sister company, LeaseProbe, LLC, for fast, accurate, cost-effective lease review. The professional lease abstractors at LeaseProbe were able to review all the leases, pinpoint the tenants with rights that required attention and, based on the lease language, help prepare the wording of the subordination agreements—all in a matter of days. As a result, the lender was protected. The underwriter was satisfied, and the deal closed on time.

A Hedge Against Market Fluctuations

An added benefit of this business model is the balance it provides in a slow real estate market. Although all the businesses under the MCRES umbrella provide services to the real estate community, they are not equally susceptible to market fluctuations.

Take for example, Madison SPECS (Special Property Engineering and Cost Segregation), the newest member of the Madison family of companies. This company just completed its first year of operations and produced outstanding results.

Because you can do a cost segregation study on a look-back basis and pick up previously overlooked opportunities for depreciation, it's a service that appeals to investors who have existing properties, not just those who are in the process of buying property. And, for that reason, it's not a business that is particularly sensitive to market fluctuations.

In fact, according to CEO, Eli Loebenberg, "I think the downturn in the real estate market in general may have worked to our advantage. When business slows down, investors tap every financial advantage available to them. And, cost segregation offers significant tax benefits—particularly when you're holding properties longer, rather than buying them for quick resale."

Looking Ahead

Madison started with a title company that has grown substantially in the last ten years. This operational structure—“independent entities under one umbrella”—began in response to specific circumstances, but having proven its effectiveness, has since grown by design. As the needs of the commercial real estate community evolve, Madison hopes to add additional specialty companies to meet them.

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