



Fully evaluate any deal appearing to be a "bargain" with a project manager or an owners' rep

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In the wake of recent events in our economy, such as the collapse of Lehman Brothers and the government takeover of several large financial institutions, an overabundance of properties has become available in local and national markets. While financing remains difficult to come by for most, real estate novices and pros alike with capital to spend are finding some true "bargain deals" for prime NYC real estate.

As the saying goes, "Deals made in haste are often a waste." This could not be more relevant to the purchase of real estate in a depressed market. Sellers are often anxious to consummate a deal once a potential buyer shows even the slightest degree of interest in a parcel, especially if the property has remained on the market for an extended period of time, or if the seller is feeling pressure from lenders. While a stale listing might simply have been poorly marketed or a buyer might be offering aggressive pricing in order to quickly liquidate, it is important to fully evaluate any deal that appears to be a "bargain." Buyers must hold firm in their position and take the time to complete full site analysis and due diligence surveys as required to protect their investment. It is unfortunate, but many buyers who rush to contract in order to capitalize on a "steal" today might later find themselves in the position of the liquidating seller before the market is corrected.

What makes a deal great under these circumstances? Great deals offer premium value for competitive cost. Attributes such as location, layout, and look are immensely important. Is property in this location especially desirable or difficult to obtain? Is the existing layout conducive to the development scheme being considered? Is the look of the project progressive or that of a notable architect/designer? Land in some areas is so scarce that any opportunity to purchase the same should be considered. In addition, the layout of some properties might make conversion to housing or hospitality space easier than others. Amenities, if available, can greatly enhance the value of a property designated for resale or rent after development. If a pro forma document encompassing any of the above has been established prior to purchase, costs for evaluation of a particular development scheme can be dramatically reduced.

The use of a program manager or owners' representative can be invaluable when procuring properties of this nature. These firms will assist the owner in navigating the procurement process and in analyzing the potential costs/barriers to development of the site. During the investigation phase, an experienced program manager can prepare a site analysis survey that provides valuable information concerning site demographics, taxes, zoning, and cost of development. If one chooses to proceed to contract after review of this information, the program manager can compile a due diligence report that examines environmental, engineering, and financial aspects of the proposed project. As contractual language usually provides an "escape clause" permitting cancellation of the contract in the event that unfavorable site conditions are discovered, the due diligence report is of

paramount importance during the acquisition process. For the novice developer, program management/owners' representative firms will also be able to explain in layman's terms the details and findings presented within the two reports.

It is hard to see any benefit to the troubled markets being played out in the media on a daily basis. Capitalizing on the benefits of competitively priced real estate can offer investors the ability to recognize significant long term gains in these turbulent times.

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