

Market Upswing - Savvy developers are getting their ducks in a row

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With the supply of distressed properties anticipated to increase, capital rich developers and newly spawned distressed property funds will likely look to capitalize on and purchase investment properties at bargain prices. Although actual re-development of those distressed properties may not happen now given the current economic conditions, long term goal oriented investors should be looking to prepare their distressed properties for re-development once market conditions improve. From a timing perspective, better positioning the property through preliminary work will pay dividends whether the property is held for redevelopment or sold to a developer leading the charge into the market rebound. Several preliminary tasks that can be completed immediately include an existing site infrastructure evaluation, a building structure survey, and a site build-out analysis. Unlike site permitting activities that may have conditional time limitations, these evaluations will remain valuable when market conditions improve.

The first step in better positioning the property is to evaluate the existing site infrastructure for both condition and capacity. This begins with obtaining record plan drawings for the site (if available) and confirming through field investigation that existing infrastructure matches record plan data. In addition to verifying the location, type, and size of the existing infrastructure, a visual survey should be completed to determine the condition. For sanitary and storm drain infrastructure, this may include a more extensive analysis which can be accomplished by closed-circuit television inspection of the pipelines.

Following review of the existing site infrastructure, the condition of the existing structures on the project site should be completed to determine their re-use potential. This evaluation may include the following activities: a structural building survey, a hazardous material survey, and a "green" retro-fit evaluation. A structural survey will enable the property owner to determine whether any modifications will be required to bring the building up to the latest building and fire codes. It may be beneficial for the property owner to address any hazardous materials identified during the survey. Additionally, an analysis focusing on retro-fitting the building with new "green" technologies may provide financial benefits to the property owner if their feasibility is confirmed.

With an understanding of the existing site infrastructure and the condition of the buildings on the project site, a preliminary build-out analysis can be completed. This analysis will typically focus on maximizing the buildable area on the project site while staying within the local zoning standards and requirements. This analysis will provide the property owner with invaluable data that will assist in marketing the property such as maximum build-out potential, re-use potential of existing buildings, allowable structure heights, required property line setbacks, and potential parking capacity.

Utilizing the information obtained from the build-out analysis, estimates can be completed for items such as anticipated water consumption, sanitary flows, electrical requirements, and traffic impacts.

Based on this information, the added loads on the existing site infrastructure can be analyzed and a determination as to whether the existing site infrastructure is adequate to support these proposed loads can be made. If it is determined that the existing utilities and infrastructure have inadequate capacity, it may be in the best interest of the owner to proceed with the required improvements to position the property as a "shovel-ready" site. Examples of these types of improvements may include: increasing the sizes of the existing sewer and storm drain pipes or installation of additional utilities to service the project site such as natural gas.

In closing, a savvy developer who is currently approaching market conditions with a "hold" strategy should consider positioning their properties to be "shovel-ready" for the next market upswing. Preparation and understanding of the existing site infrastructure, building condition, and build-out potential will increase a properties marketability for re-development and ultimately facilitate future financial windfalls.

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