

'Distressed' properties glut market

■ 'There's probably no way to achieve the rentals we saw in the 1980s.'

James C. Straith

BY GERALD FRAWLEY
STAFF WRITER

Maybe it's in a bad location.
Maybe it's a bad mix of tenants.
Maybe it's bad advertising.
Heck, maybe it's just the wrong color of brick.
But when the economy is in the doldrums and commercial real estate vacancies are way up, property managers face the situation of trying to lease distressed properties.

Tom Garrity, president of Garrity & Associates Inc. in Livonia defined distressed properties as commercial strip centers and office buildings that have been returned to the bank in foreclosure or properties that are dangerously close to slipping into foreclosure.

"That includes a lot of property today. 'Property management of distressed properties is coming up with an ingenious ways to keep all the plates spinning,'" he said.

Properties become distressed for a number of reasons, Garrity said. Lack of tenants is the most obvious, he said, but sometimes that's merely a symptom of the real problem.

Building problems, location and the types of tenants can go a long way to explaining distressed properties, he said.

Garrity said turning a property around requires a hands-on approach. "All of the leasing space signs in the world aren't going to help."

Rule number one in turning a distressed property? "You have to be very cost conscious."

Building maintenance must be performed and mortgage payments made (if the property has not already been foreclosed on). "There's

no room for waste." James C. Straith, executive vice president at Schenden/Straith Group in Bloomfield Hills, said distressed properties are becoming the norm. "That (turning around distressed properties) is primarily what we're doing these days."

The huge number of distressed office and retail space is a result of the overbuilding of the 1980s, he said. "Properties built in the 1980s are all competing against each other for fewer tenants."

The problem was exacerbated by the recession, he explained. Too much space is bad enough, but with companies cutting employees there is even less demand for space.

A third factor is the way office and retail construction was financed in the 1980s. Many of these buildings were built with the understanding that future leasing would be used to pay off the building loans.

With shrinking demand and increased competition, the leases in many buildings aren't enough to cover the debt. "There's probably no way to achieve the rentals we saw in the 1980s."

Straith said what the property manager does with a particular building depends largely on the property. Property that has been foreclosed on is more appealing from the property manager's point of view because there is less threat of debt hanging over his head. "There is no debt; increasing the income becomes the goal."

A bank or lending institution also has more money available to get a property back up to snuff than a mortgage holder who has a payment to make.

Which isn't to say a foreclosed property is an easy turn-around, he said. "Very often, the property (maintenance) was neglected."

After a property is brought up to snuff, Straith said the property manager has to aggressively market the property — that often means reduced lease costs.

"Anything to get the occupancy up," he said.

"If you've got a building half to three-quarters

See PROPERTIES, 4F



Our Elaborately Furnished Models Are Now On Sale!

FROM \$138,790

Whispering Winds
CONDOMINIUMS
OPEN 7 DAYS

953-0765

Located on Newburgh just south of Ann Arbor Trail



McGee's Grove
Westland's Finest Community
3 Bedrooms, 2 Baths,
2 Car Attached Garage, Full Basement
From **\$89,900**
Open Daily Except Thursday
595-9686
Palmer Road Between Newburgh and John III

CANTON
Stewarts Woods
OPEN SAT. & SUN. 11 AM-6 PM



This natural wooded setting is in the very heart of a vibrant suburban community providing convenient access to work, shopping, recreation and excellent schools! Yet the neighborhood is tranquil, each custom designed home is set thoughtfully within the landscape to ensure both privacy and scenic views.

Choice Wooded Sites Still Available
Priced from the \$140's.

BRANDT GROUP INC.
BUILDERS AND DEVELOPERS
Model: 397-9397 Office: 344-8222

HOMEARAMA MODEL AVAILABLE



- Novi Schools
- 1 1/2 Story, First Floor Master Suite
- 3 Bedrooms, 2 1/2 Baths
- Decorated by Englander's
- Landscaped with Sprinkler System
- Security System and Much More!!

\$235,900

CALL FOR MORE INFORMATION
347-4710
COHEN ASSOCIATES, INC.

HOMEARAMA MODEL AVAILABLE

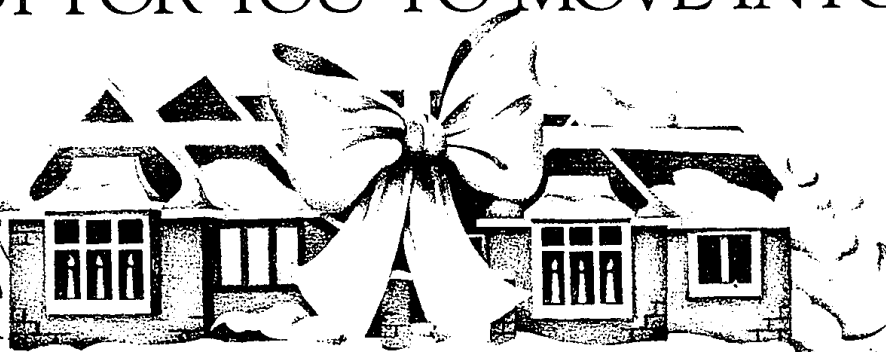


- Novi Schools
- 2 Story, 3 Bedrooms, 2 1/2 Baths
- Decorated by Englander's
- Landscaped with Sprinkler System
- Security System and More!

\$229,900

FOR ALL THE DETAILS CALL:
347-4710
COHEN ASSOCIATES, INC.

THE SELECTIVE GROUP HAS HOMES ALL WRAPPED UP & READY FOR YOU TO MOVE INTO.



BEFORE THE HOLIDAYS!

THE SELECTIVE GROUP
DEVELOPER/BUILDER

The holiday season is upon us, but there's no reason you can't move into your brand new home before the holidays. Take a peek at some of the beautiful homes Selective has to offer and then pick out the best holiday gift of all, a brand new home!

WATERFORD
ELIZABETH LAKE WOODS
Single Family Homes
PRE-CONSTRUCTION PRICES
FROM \$129,900
681-3440
OFF COOLEY LAKE ROAD SOUTH
OF ELIZABETH LAKE ROAD

WEST BLOOMFIELD
STONEBRIDGE
Single Family Homes
FOR 1991 OCCUPANCY
FROM \$312,900
661-6654
SOUTH OFF MAPLE BETWEEN
FARMINGTON & DRAKE, 12-5 DAILY.

FARMINGTON HILLS
ONLY 4 HOMES LEFT!
ESSEX CLUB
Detached Condominium Homes
FROM \$206,900
553-9270
ON HALSTED ROAD NORTH
OF 12 MILE ROAD

BLOOMFIELD TOWNSHIP
ONLY 1 HOME LEFT!
KIRKWAY PINES
Detached Cluster Homes
FROM \$519,000
474-8600
BY APPOINTMENT ONLY
ON FRANKLIN ROAD
NORTH OF LONG LAKE

FARMINGTON HILLS
OXFORD ESTATES
Single Family Homes
FROM \$289,900
477-2710
ON DRAKE ROAD SOUTH OF
12 MILE ROAD

CLARKSTON
SPRING LAKE
Single Family Homes
FROM \$154,900
620-2880
ON MAYBEE ROAD 1/2 MILE
WEST OF SASHADAW

NORTHVILLE
DECORATED MODELS FOR SALE!
ST. LAWRENCE ESTATES
Cluster Condominium Community
FROM \$189,900
348-3517
ON THE SOUTHWEST CORNER
OF 7 MILE & CENTER

NOVI
GREENWOOD OAKS
Single Family Homes
FROM \$221,900
380-8980
ON THE NORTHWEST CORNER
OF 10 MILE ROAD & BECK ROAD

PLYMOUTH
WOODLORE NORTH
Single Family Homes
FROM \$299,900
454-1519
ON ANN ARBOR ROAD JUST
EAST OF BECK ROAD
Brokers Always Welcome.

ALL SELECTIVE GROUP COMMUNITIES OPEN DAILY 12 - 6 OR BY APPOINTMENT, UNLESS INDICATED ABOVE.