

OLD DOGS READY FOR NEW TRICKS

“ADAPTIVE REUSE” SESSION
FRIDAY, NOVEMBER 9, 2007
SIOR FALL CONFERENCE
ST. LOUIS, MISSOURI

MODERATOR – SYDNEY HAMBER, SIOR

PANEL: STEVE ASBURY, SIOR

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HOLLINGSWORTH CAPITAL
PARTNERS**

DAN SMITH, SIOR

OPENING COMMENTS

- Everyone is aware of the amount of manufacturing that has been moved offshore. China, India, Malaysia, Europe to name a few.
- There are thousands of old manufacturing plants in North America that have been abandoned, mothballed or put on the market for sale. Little chance of getting any more than a few pennies on the dollar.
- Clearly these are no longer suitable for manufacturing, even if you could retrofit modern manufacturing technology. Retrofitting and labor costs are too high to ever make products that can compete with the countries mentioned above.
- The purpose of this session is to review what can be done to revitalize and/or reuse and teach some of these “old dogs”, new tricks.

LEARNING OBJECTIVES

- FIND A PROPERTY
- ASSESS THE PROPERTY
- DETERMINE POTENTIAL USES
- FIND THE BUYER

FIND A PROPERTY

- Some are obvious (industrial areas)
- Some you look for – one industry towns
- Some you are called in to submit an RFP
- Some advertise they are “shutting down”

ASSESS THE PROPERTY

- Location (access, visibility)
- Former use (will help determine liabilities)
- Environmental in relation to potential value
- Zoning
- Structural status
- Costs to adapt
- What should be retained/demolished

DETERMINE BEST USE(S)

- Have included a list of over 75 uses in your handout
- Treat as a normal transaction – could be long and painful
- Treat as unique with a new life – exciting and profitable
- Narrow it to the two or three uses with highest potential

**FINDING THE BUYER
DO NOT**

- Do a flyer and mail to thousands
- Put up a sign and wait for calls
- Put on your web site as just another property
- Treat it as just another transaction

**FINDING THE BUYER
DO**

- Review the list of potential reuses
- Personally contact those developers who are unique
- Complete an "out of the box" proforma
- Show the potential users how it could adapt
- Contact prospects for their input
- Talk to local politicians, planners, community groups
- Look for sources of government funding
- Keep everyone informed

CASE STUDY

Syd Hamber, SIOR

J.J. Barnicke Limited

Burlington, Ontario Canada

8 BURFORD ROAD, HAMILTON

Difficult lease – Old Firestone Warehouse

- Competitive broker had listing on an 820,000 sq. ft. tire warehouse
- Had the property for 12 months – no transactions
- Owner asked if we could get involved
- We took on listing
- Smaller market – no large user
- 100,000 sq. ft. user non-existent, never mind 800,000 sq. ft.



ASSESS THE PROPERTY

- 820,000 sq. ft. - heavy industrial zoning
- 22' clear – good shape
- In 9 sections for fire control
- 49 truck doors
- Poor to fair shipping
- Cost to carry empty- \$104,500/month
- Close to highway – very visible
- Environmentally clean
- Rail serviced
- Demolish part for more doors?

DETERMINE BEST USE(S)

- We have a large wine industry in Niagara
- Store empty bottles – Again when filled
- Lots of activity at bottling time
- Also have a manufacturer of Jams & Jellies
- Same problem. Empty, then filled

FINDING THE BUYER

- Talked to both and suggested they rent minimal space
- Drafted 2 offers - one at 25,000 sq. ft. and one at 50,000
- Convinced landlord to deal. (60 day termination)
- E.D. Smith took 125,000 sq. ft. within 3 months
- Hamilton Terminals rented 350,000 sq. ft. in 4 months
- Tire Company came in at 345,000 sq. ft. for 5 years
- Within 9 months building filled

**175 LONGWOOD RD, HAMILTON
HEAVY MANUFACTURING
APPLIANCES**

- Called after shutdown notice in paper
- Recommended by Economic Development
- Major highway intersection
- Declining industrial area
- Excellent big box potential

“BEFORE” PICTURE



ASSESS THE PROPERTY

- 850,000 sq. ft. in several buildings
- 36 acres of prime land
- Very little of it salvageable
- 170,000 sq. ft. warehouse and some office could be utilized
- Zoned “K” which allows virtually any use
- Retail, commercial, institutional – no residential

DETERMINE THE BEST USE

- First blush would be “Big Box”
- No one really wanted that use
- Had been working with major university for some incubator/research land
- Went to market with detailed package to see what would surface
- Main Interest probably “Big Box”

FINDING THE BUYER

- Approached university research department on a one-on-one basis
- Told they had to own it
- They agreed and submitted one of 9 offers
- After several weeks of negotiation they bought the property and closed
- Vendor (CAMCO Inc. – 51% G.E.) wanted to leave some type of legacy but no \$\$\$

END RESULT-MIP

Now Called McMaster Innovation Park

- Eventually \$450,000,000 Research Park
- Construction started on Office/Mfg building
- Canada Metals Lab relocating from Ottawa
- Leased warehouse at \$500,000/year for ten years, with one year termination
- Showpiece for west end of City
- Federal, Provincial, Municipal governments, residents and university all happy
- Big Box – not happy

“NOW” PICTURE



“AFTER” PICTURE



OTHERS

- 154,000 sq. ft. empty – started with 15,000. In 4 months did deal on whole building for 5.5 years
- 250,000 sq. ft. empty – started with 40,000 P&G overflow space, 8 months later building sold and closed. 16’ ceilings. No truck room or parking

Q & A

- WHAT OLD DOGS HAVE YOU TAUGHT NEW TRICKS TO?
- DO YOU HAVE ANYTHING YOU WANT TO OPEN UP TO THE FLOOR?

HANDOUTS

- List of re-use ideas
- Copy of the program

REUSE IDEAS - OLD INDUSTRIAL BUILDING SIOR CONFERENCE - ST. LOUIS - NOVEMBER 2007

Sent email to all Industrial SIOR's and had over 80 responses. Valuable ideas.
Use them in your own market.

Adult Daycare	Environmental Depot	Municipal Works Yard
Antique Sales	Film Studio	Municipal Works Composting
Apartments	Flea Market	Museum
Archer	Go-Kart	Occupied Prison
Art Centre	Golf - Indoor	Offices
Art Gallery/Studios	Grain Storage	Paint Ball
Auto Repair	Graphic Companies	Prison/Jail
Basketball	Gymnastics	Research Park
Blue Box Program	Half Way Home	Residential Lofts
Boards	Hockey	Rock Climbing
Bulk Warehousing	Housing - Subsidized	Roller Blade
Call Centre	Ice Skating	RV/Boat Storage
Car Dealer	Incubators	Schools
Church	Indoor Sports	Skate Board Park
Classrooms	Indoor Swap Meet	Soccer
Climbing Walls	Industrial Design	Sound Studio
Craft Market	Internet Switch	Sports Centre
Dance Studio	Industrial/Office Units	Telco Hotel
Disaster Recovery	Laser Tag	Telecom Switch Station
Discount Furniture	Libraries	Tennis
Discount Outlet	Machinery Storage	Theatre
Document Storage	Mini Golf	Third Party Warehouse
Electronic Fun House	Mini Storage	Truck Yards
