

## Case Study: DSA Portfolio Sale

### Assignment

ORION Commercial Partners was hired by the client (a large, privately held company) to sell a portfolio of three retail and general commercial properties in different suburbs around Seattle. The three properties consisted of Retail Centers in Edmonds and White Center, and a Bus Maintenance Plant in Edmonds. All three properties were leased long term to creditworthy anchor tenants. Construction of the buildings were circa 1960's-1970's, however, despite the age, all centers were very well maintained and completely functional.

### Challenges

While the properties were in good neighborhood retail locations, all three were placed well away from the regional malls and shopping synergies that were developed in recent times. The Shoreline property never could re-tenant to new retail after a longtime retailer departed, and so it was converted to the next highest and best possible use and became a special purpose facility. All the leases were somewhat below potential market rents. Shadow vacancy existed for more than half of the footage in one location, with a major sublease tenant shuttering its site midway through the sales process. Finally, the client was focused on conducting a tax-



deferred 1031 Exchange, and required multiple extensions of closing so as to insure that they would be able to successfully exchange into high-quality assets in their home state. Our client had owned these properties for decades and since their cost basis was depreciated to next to nothing, Capital Gains tax exposure was high if their exchange failed. Additionally, the client required that all three properties sell in the same closing so as to pool equity into a single 1031 Exchange and purchase property of higher quality and larger scale.

### Results

ORION positioned each property as to have equally weighted positives to discuss with the market so as to avert 'cherry-picking' and keep the top pool of buyers to value each asset as close as possible to full asking price, and motivated to perform on closing on all three properties. While resolving other issues with the sale, our client decided not to sell the property in the strongest location (Edmonds)

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so as to capitalize on an opportunity that suddenly appeared on the horizon for the asset. ORION was able to maintain same pricing on the other two assets with the same pricing and close the sale a few weeks later.

During the Buyer Selection and Negotiations phases of the sale, multiple parties tendered offers at various pricing, some of whose financial strength and reliability was not sufficient. ORION then selected a buyer with a strong recent track record, a reputation for straightforward dealings, high motivation to buy the property, and ability to close quickly with no financing. After putting the property under contract with this group, our Seller client had no upsets and resolved all physical issues smoothly and with minimal concession. The Buyer cooperated with Extended Closing, which assisted our client in securing two very attractive Replacement Properties under Sec. 1031 guidelines.