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Business Leaders Get It.

## The distress relievers *Developers look for work rescuing projects*

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As lenders struggle with a growing number of distressed properties throughout the Puget Sound area, some real estate firms are finding new opportunity in finishing up the failed projects.

For a fee, these firms will assess a partially built condominium or apartment property and advise whether it's worth finishing construction or should be sold as is. They also will market the property and manage it until it leases or sells.

Intracorp and Trammell Crow Residential are each venturing into the business of handling troubled projects. It's one way for the developers to keep busy while



**COTTAGE INDUSTRY:** Michael Lierman visits Seattle's Ashworth Cottages, which his company, Intracorp, was hired to complete.

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waiting for the real estate market to recover. With the sharp downturn in both residential and commercial real estate, there's been little money or need for new projects.

"The larger issue here really does come down to a very simple concept: We have to help the financial community and the lending community get through these distressed assets before we can return to a normal real estate market," said Mike Lierman, regional president for the Pacific Northwest and Northern California for Intracorp Realty Advisors, a division of Seattle-based Intracorp.

Intracorp's primary service in its new "fee-for-service" venture will be providing advisory marketing and selling services to bank lenders and institutions, rather than looking for properties to buy, Lierman said.

Because of the cost and added risk of construction, he anticipates lenders will want to complete construction only if the work remaining is largely cosmetic or is needed to protect the building from the elements. Most lenders, he said, would rather leave the development risk to the next buyer.

Property sales have been unusually slow, anyway.

"There is just a huge gap between the bid and the asking price for any real estate asset out there now," Lierman said. "Buyers are overly conservative and risk averse, and sellers are handicapped in what they can and can't do. That results in an environment where the buyer and the seller can't find a number that will work for the both of them."

Intracorp, which started offering its fee-for-service package earlier this year, recently was hired by the Bank of Amer-

ica to complete the Ashwood Cottages in Seattle's Green Lake neighborhood. Since taking the assignment, Intracorp has been able to sell 14 of the 17 cottages.

The Seattle-based company includes Intracorp Realty Advisors, Intracorp Marketing and Sales and a \$100 million real estate investment fund that has been in place for about 18 months.

Meanwhile, the Seattle office of Trammell Crow Residential is for the first time offering its development services to complete construction and market distressed properties for a fee. If this pans out, Trammell Crow could roll out similar services in its other offices across the country, according to Sean Hyatt, head of Trammell Crow Residential's Seattle office.

"It's really a one-stop shop for these new groups of accidental owners, whether they are the lender or the equity guy in New York who never in his wildest dreams thought he'd be stuck owning a 300-unit high rise in Seattle," Hyatt said.

The Seattle office of Trammell Crow Residential is one of five offices nationwide for the Texas-based firm.

This is a "limited time offer" that enables owners of distressed properties to pay to put Trammell Crow's brand on their project without having to buy a building from the development firm, Hyatt said.

Unlike Intracorp's Lierman, Trammell Crow's Hyatt believes most lenders will be willing to pony up funds to complete projects. Said Hyatt: "If their project is not complete, they are looking at zero return versus potential return."

It's not a business line that's likely to attract larger developers such as the publicly traded real estate investment trusts, because of regulatory restrictions, Hyatt said. He does expect competition from smaller local developers.

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