

# Curbing the FALLOUT

Tanya O'Shea, Property Sales at Coyne & Culloty Real Estate Alliance, explains the necessity of managing distressed property.

A lonely convenience store overlooking an unused petrol forecourt; a once thriving neighbourhood centre with boarded windows; forlorn-looking, vacant houses; not a picture any one of us would have imagined two years ago, but something that may become more of a reality if distressed property is not managed in the most professional and effective manner.

Now is a time for innovation, a time for creative thinking and a time for those who find themselves in challenging financial positions to turn to property professionals in order to receive experienced help and advice regarding how to best manage their situation and limit their own financial upset.

Professional management of distressed property is not only in the interest of the developer or owner and his lenders, but is also of great importance to everyone in the vicinity of the property. Be it those who have purchased in the first phases of a residential development only now to be overlooking a vast building site instead of the imagined green area, or those businesses trying to keep things ticking over whilst passing the empty units of their former neighbours. Nobody wants a property to fall into disrepair on their doorstep.

## Maximising the Potential

The preference of all, therefore, is to bring in the experts. Real Estate Alliance agents around the country are presently assisting developers in maximising the potential of their property in the current downturn. From housing developments to retail parks, and everything in between, each case is examined independently and, after lengthy consideration and discussion regarding the potential avenues to follow, the market and the maths bring the Real Estate Alliance agent to the best recommendation for his client. Solutions will vary from area to area and situation to situation, however each will have been carefully considered and compared against the alternatives and will be the solution that will maximise return for the present, whilst also keeping an eye to the future and the opportunities that may come with a pick-up.

The more familiar solutions include rent-to-buy schemes – a means of maintaining cashflow for the builder whilst also building relationships with potential buyers. These are now widespread around the country and are certainly aiding developers' cashflow problems.

Lesser known solutions such as let-to-buy schemes in office blocks, retail units let on the basis of percentage of turnover, rental guarantees and buy-back agreements on holiday home properties are also being utilised.

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## From the USA

As with investments worldwide, many ideas and incentives come from the US market. Due to the unprecedented low interest rates (US 30-year rate at historic lows) and a huge rise in foreclosure figures, figures just released in the States show an increase of 5.1 per cent in existing home sales for February. This is the largest sales jump since July 2003. These figures prove that there are value-oriented purchasers willing to dip their toes in the market without allowing themselves to be overstretched. Signs such as this represent the start of a recovery and sooner or later, purchasers, vendors and banks in Ireland will realise that attractively packaged and professionally managed schemes for sale are worth consideration and will be sought out first by purchasers.

The bottom line is that it is in the best interest of the banks, the developers and the general public if distressed property is managed in such a way that it firstly generates the maximum return for the developers whilst also preventing eye-sores from arising around the country. Properly maintained, well managed properties will help a troubled market and raise confidence in property for the future.



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