

# Receivership Case Study

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Lender – Huntington Bank / Buyer – Nic Dumas, Duma Properties, LLC  
5415 Monroe Street, Toledo, Ohio

## Challenge

We were engaged as Receiver tasked with assuming the management and selling of a suburban multi-tenant office building. The major tenant in the building was the owner of the property who was not performing the terms of the loan. The tenant was occupying space and paying nominal rent. They were semi-hostile and not cooperative with the process. There were other performing tenants in the building though their leases were short. Approximately one quarter of the building was empty. Because of the situation with the tenants and occupancy the building did not cash flow. The building was a walk-up building, had some deferred maintenance and dated finishes and mechanicals. The location was outstanding however, and provided excellent exposure on a major commercial thoroughfare in a strong submarket. The final issue was that the owner promised to challenge court approval of any sale if the price was too low in his opinion and he had unreasonable expectations for the selling price. The low effective occupancy and low cash flow, along with the walk-up design and required capital expenditures, all made achieving the owner's price expectations difficult. We advised the lender as to the likely selling price range but agreed that we would set an asking price at the level that the owner wanted though we felt it was too high. Meanwhile, our property management team oversaw operation of the property under challenging circumstances. They were able to quickly secure the building and assume financial control. We established relationships with the tenants and helped calm any concerns they had about the operations or future of the building. This was crucial to both the cash flow of the building and supporting the sale price we were trying to achieve.

## Solution

We targeted office and retail property owners as well as office tenants in the surrounding submarket. We also created a target list of office building investors from our proprietary database. All were contacted by direct mail and cold calling. In particular we tried to identify potential owner occupants on the premise that they would likely pay the highest price. We also promoted the property to the local commercial brokerage community. Ultimately we had over fifteen tours of the property and received multiple offers. We reached what we deemed to be the best price and terms with the ultimate buyer and submitted the offer to the court for approval. The owner contested the sale leading to several months of negotiations between the owner and the lender. Meanwhile we did our best to keep the prospective buyer engaged and committed to the transaction. Finally a resolution was agreed to between the lender and the owner and the sale was allowed to proceed.

## Results

We achieved a sale price in the range that we had originally projected. The lender was made whole and all operating shortfalls and costs of sale were covered by the selling price. In spite of the months lost to the owner's appeal, the sale was completed and the receivership was concluded within twelve months of the assignment being taken.

## Client Testimonial

"I appreciate all your firm has done not only on the Gerdenich building but Jelinger (Bancroft) and our Fort Wayne building. I would not hesitate to use your services in the future."

**Ned Osinski, Vice President, Special Assets Division**  
The Huntington National Bank