



5430 Mt. Zion Road

- Morton-built, Steel Construction
- High-Tech/Flex Office Space
- 11,997 SF of Building Area
- 77% Office Space
- 23% Warehouse Space
- 82,794 SF Lot
- General Commercial Zoning
- 40 Parking Spaces
- Soundproofed Offices
- Multiple Server Rooms
- New HVAC Throughout
- Seconds from Rt. 15 & 340

Navigating a Challenging Market: Collaboration, Ingenuity and Perseverance Lead to Successful Sale

Situation

Bob Cannon, a local business man and an investor with thirty years of commercial real estate experience, was looking to sell his commercial property at 5430 Mt. Zion Road in Frederick, Maryland.

Cannon, now in retirement, had reached a decision point with his investment property. One of his two tenants vacated about one-third of his 12,000 square foot building. This left the

remaining 64% occupied with a high-quality, long-standing tenant with a lease set for renewal within the next 12 months.

The key decision for Mr. Cannon was whether to seek a new tenant for the property and retain his investment property, or place the property on the market for sale, leaving the opportunity for the future buyer to be a user or investor.

Cannon decided to offer the property for sale with a back up plan to find a new tenant.

"My initial reaction was that we were going to have trouble getting Bob's target sales price because of the soft market. After a lengthy analysis, we shared our findings and recommendations, which were not necessarily what he wanted to hear. Our marketing strategy had to be unique and very focused, which required regular interactions with him. These early meetings were critical to building a solid working client/broker relationship. We quickly built a level of trust among the three of us that kept us together and helped close the deal in the long run."

–Rocky Mackintosh

Cannon had been working with a broker, but the property did not lease or sell.

The Frederick market was, at the time, soft for both sales and leasing placing Cannon in an interesting situation – if he lost his remaining tenant, it could impact the cash flow from the property, and finding a replacement would be very difficult while his property is on the market for sale.

After deciding to change course, he turned to MacRo, Ltd. for help.

Discovery, Collaboration & Initial Market Reaction

Cannon came to his first meeting with Rocky Mackintosh, MacRo's President and Founder, and Kathy Krach, who was a MacRo Vice President at the time, with clear goals and a strong sense of the property's strengths and weaknesses.

After much collaboration, Cannon, Mackintosh and Krach decided to pursue parallel paths: trying to extend the lease with the existing tenant, while leveraging MacRo's extensive regional network and innovative marketing program to generate leads.

MacRo's initial marketing and networking efforts generated solid interest in the Mt. Zion property. From this initial positive response a well-established local non-profit organization emerged as the most promising buyer from a pool of other qualified leads.

The potential buyer had been searching for new space for the last four years. They initially expressed excitement about the property, seeing it as a space that could meet their current needs and accommodate future growth. The buyer's repeated views of MacRo's online virtual tour video of the property was one clear sign of their serious interest and excitement.

The buyer was excited, for sure, but was uncertain about how to make it all work, as is the case with many organizations exploring major changes.

MacRo engaged this lead for several months, but the buyer eventually cooled off and stopped pursuing the property.



Challenges & Solutions

With a soft sales and leasing market and their best lead now seemingly out of the picture, the team kept its cool and moved forward.

MacRo marketed the property vigorously and worked its regional buyer network to generate new leads. At the same time, MacRo wanted to learn what caused the potential buyer to walk away from a property that seemed like a match.

Even after the buyer started to cool off, the MacRo team continued reaching out to the buyer's agent. A number of discussions with the buyer's agent took place and it became very apparent that the buyer was still very interested in purchasing the Mt. Zion Road property, but had nearly given up on it because they could not see a way to make the numbers work.

MacRo's efforts uncovered several key factors that led the buyer to back away: (1) the buyer was state funded; (2) grant funding had become tenuous; and (3) grant payment policies were possibly changing. All three factors contributed to potential major cash flow concerns for the buyer.

Regardless, Cannon and the MacRo team continued to believe in this buyer, and felt strongly this was the right space for them, despite their initial reluctance to move forward.

Trust Leads to Greater Understanding

Eventually, the buyer's agent granted MacRo face time with the buyer, and when it seemed appropriate, Cannon was invited to attend.

A number of clues were picked up during their interactions with the buyer and their agent.

First, they knew the buyer was risk averse, like any organization exploring significant changes. Second, MacRo learned that they had equity to leverage, should they choose to do so. Third, they knew the buyer trusted their agent and would listen to her. And fourth, they were aware that they needed more information to make a strong business case for purchase.

"We all wanted to give up on the deal. But we knew—and I feel strongly that they knew it, too—that Bob's building was the perfect fit. I think we helped them find a path forward and, to the buyer's credit, they worked hard to make it happen. This truly was a deal that was beneficial to everyone."
—Kathy Krach

The MacRo team continued productive dialog with the agent, building trust and a solid relationship over time, which led to a unique opportunity: a face-to-face meeting where the potential buyer was willing to share its financial statements and other key information with the MacRo team.

After looking at the buyer's books, and continuing to ask the right questions, the team started to see a path forward that would make sense for the buyer.

Simply put, the team could now show the buyer that purchasing the property was possible and was, in fact, a good business decision. The MacRo team eventually built enough trust to go before to the organization's board. MacRo

presented the business case for purchase, answered questions and ultimately helped stakeholders realize that a purchase was possible and this long-term business decision came with minimal risk.

While the buyer did not sign a contract following the board meeting, the deal was more alive than ever now that a new way forward had been uncovered.

Trust, sound data, cross-team collaboration and persistence was starting to pay off for all parties.

Making the Case Stronger

Though the MacRo team presented a strong business case for the purchase—illustrating that the organization could buy this property without dipping into capital accounts, and that the resulting monthly cost to own the Mt. Zion Road facility would be less than if they stayed in their current location—the buyer remained on the fence.

The primary concern centered around possible future state funding cuts and the consequences this would have on their cash position.

Enter Krach and Mackintosh of MacRo, who worked together to alleviate these critical concerns from two different angles.

Krach did her research and worked with the other agent to avail the buyer of local grants. She connected them with the right contacts, which eventually led them to a sizeable state grant opportunity that could far exceed the buyer's funding expectations.

Mackintosh then contacted Maryland state senator David Brinkley, with whom he had a long-standing relationship. Senator Brinkley agreed to meet with the buyer, assuaging their concerns about rumored funding cuts and potential grant payment policy changes.

By leveraging local connections, and their commercial real estate expertise, the MacRo team helped the buyer through a complicated, stressful process while opening their eyes to the funding possibilities that could help consummate the deal.

A Delicate Balance

Making a case to the buyer was not MacRo's only concern, however. As the negotiation progressed, a long-standing, high-quality tenant leased two-thirds of the Mt. Zion building, which created a valuable income stream for Cannon. What's more, the buyer still had to navigate a complicated grant process to obtain the funding they needed to purchase the property.

Maintaining Tenant Satisfaction

Cannon had a strong and deep relationship with the current tenant from prior business relationships, and he wanted to minimize disruption to their operations. He wanted them to remain happy and in place.

The tenant was aware the property was on the market, so Cannon traveled to Pittsburgh several times to help allay the organization's concerns. MacRo also worked to build a marketing strategy that would protect Cannon's interests and create a scenario where the tenant would not be put at risk or become disgruntled.

The MacRo team, which now undoubtedly included Cannon as key member, was able to strike a deal with the tenant that mitigated Cannon's risk and ultimately benefited everyone:

- The tenant chose to seek new space and desired to break the lease in June, six months before their lease ended on December 31st.
- As part of the lease buyout negotiation, MacRo and Cannon offered two of the remaining six months for free to help the existing tenant's transition.

- MacRo then went to the potential buyer and said if they could close by September, they would receive half of the tenant's lease buyout payment.
- Cannon kept the other half of the lease payout, which preserved his cash flow until closing.

This deal was made not knowing if the Mt. Zion sale would ultimately close, and was done based on the high level of trust among MacRo, Cannon, and the buyer's team.



Navigating the Grant Process

Krach had put the buyer in touch with local organizations, which led to a potentially larger state grant opportunity. Initially, the buyer's grant ask was modest. During the process the buyer discovered that their organization was eligible for a much larger sum. The state grant was complicated, in that it required multiple layers of approval at the state, county and local levels.

Ultimately, cross-team collaboration among MacRo, Cannon and the buyer's team led to an approved grant application for a sum well beyond expectations and one that made closing the Mt. Zion property deal a real possibility.

The MacRo team, working hand-in-hand with their client, had maintained a delicate balance with Cannon's tenant, while also helping the buyer facilitate the state grant process. The door was now wide open to closing a strong deal for everyone.

Outcomes

After a two month waiting period due to grant delays, Cannon sold 5430 Mt. Zion to the buyer in September, receiving his full asking price for the property despite the soft sales market.

18 months that included meetings, presentations, dialog, networking, grant navigation, number crunching and trust building had led to a win for all parties.

Benefits to Cannon

- Received full price for the property, avoiding a large loss
- Preserved and strengthened relationship with prior tenant
- Preserved cash flow from the property until closing

Benefits to the Buyer

- Preserved capital funds
- Received larger than expected state grant
- Received lease buyout funds from Cannon
- Walked away with cash in hand
- Netted thousands in yearly savings
- Lowered their rent significantly while getting a more modern facility

"I've had rental properties for three decades. I've worked with other agents and brokers across this time. Over a very short period, I became very confident in Rocky, Kathy and MacRo—they were honest and up front and we had some tough conversations along the way. I like open communications and to be informed. The communication was so good I always knew what was happening, and we'd always attack challenges together. We became a true team. Had it not been for Rocky and Kathy, and the buyer's willingness to keep listening, the deal would not have closed and I would not have received my price." **–Bob Cannon.**