

# WORKOUT SOLUTIONS CAN ACHIEVE UP TO 25% HIGHER RETURN TO FUNDERS THAN A DISTRESSED SALE

*“EC Harris advised on USD 30 billion of property deals in 2008/2009 across our Global network. We believe the next 6 - 12 months represents a window of opportunity for Banks to restructure their property assets and investments. We find that workout solutions are more effectively carried out by an integrated team of experts.”*

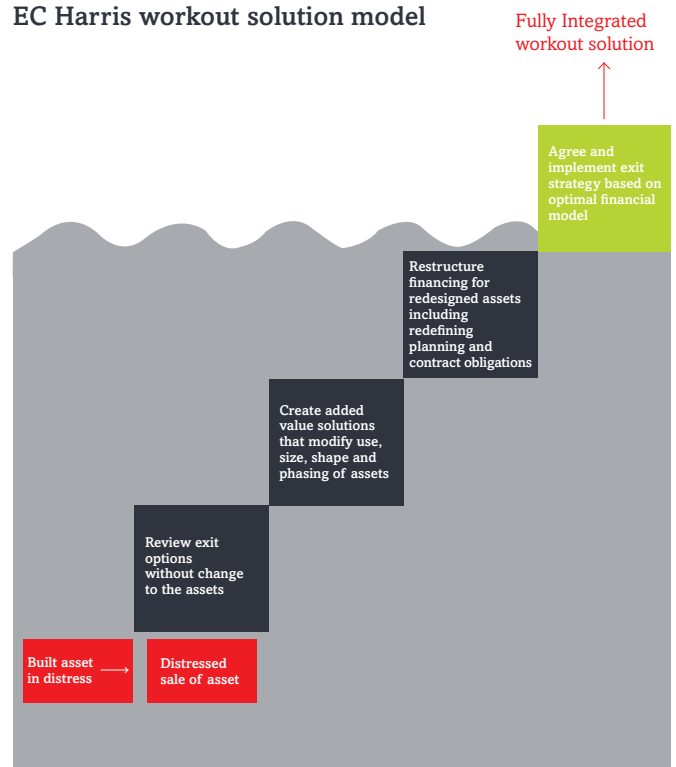
A workout solution will identify the financial exposure, and propose a plan to mitigate losses and maximise values from defaulting loans. It is best carried out by an integrated team of experts.

Our case studies demonstrate that funders can recover up to 25% higher values from a workout solution.

Typically, a built asset consultant might achieve this with the funder’s team by reworking the planning consent, renegotiating planning obligations, repositioning the assets for alternative tenants and buyers, rephrasing, recovering tax credits, restructuring of finance, procurement and stepping in to take control of the outstanding development.

In some cases, funders can achieve exceptionally high returns when, following a workout solution, the improved assets are retained until more benign market conditions return.

EC Harris workout solution model



# IMPROVING RETURNS BY UP TO 25% AGAINST A FALLING MARKET



*“We were able to increase the value by up to 25% by developing a multi-disciplinary team to manage CAPEX risk and create new solutions to improve the development returns in a falling market.”*

The bank commissioned the EC Harris team when a developer for a \$1.5 billion regeneration scheme breached the loan to value covenant following a collapse of 30% in property values.

The brief was to provide the bank and their borrower with the most appropriate workout solutions to maximise returns. The bank was also concerned about certainty of the CAPEX spend and requested a thorough diagnosis of contractual liabilities to identify all unplanned future spend.

### **Creating Solutions**

We revised the master plan to add value and renegotiated the planning obligations to reduce costs. Phase one is now a forward funded food retail store with a well known operator. The procurement strategy was changed to fully realise the benefit of falling tender prices and to avoid risk premiums.

### **Adding Value**

The current site value has been increased by circa 25% over a distressed sale based upon the original master plan. The cash flow has also significantly improved and is now self financing due to the bringing forward of the affordable housing phases.

Key to the success of this commission was the bank's realisation that they did not have all the key skills in-house. We deployed a multi-skilled team, alongside the bank, comprising of development managers, contract experts, and cost engineers, all led by a project re-structuring expert.