

# Case Study #3

# Value Preservation & Value Engineering

## El Paseo

Property Details	
Location:	South Gate
Square Footage:	298,696
Year Built:	2001 (New Construction)
Class:	A
Property Type:	Retail
Development Cost:	\$38,000,000



El Paseo was a brand-new property constructed in 2001. What resulted was a true class A retail asset with strong national anchors within its walls (Curacao & Regal Theatres). Sperry's Asset and Property Management division was then hired to take on the leasing, debt, property and internal management aspect of the asset. Over the years, **Sperry was able to stabilize the asset and increase occupancy from 0% up to 99%.**

COVID-19 then hit the world by storm, and El Paseo took a severe hit during the initial phases of the pandemic, with cash flow plummeting from \$153k per month down to around -\$200k per month at its lowest point, and severe risk of tenants going out of business. However, having gone through multiple economic cycles, and having the knowledge to face these circumstances, the Sperry Asset & Property Management team acted without delay to preserve the asset through the turbulent times. Asset Management immediately began negotiations with the lender to prevent a default or foreclosure on the property in addition to managing cash flow. Property Management followed by immediately cutting down and micro-managing operating costs. In addition, they reached out to the tenants to create equitable solutions so both the Landlord and tenants could survive through the pandemic by offering immediate relief for longer and more secured term. This not only allowed for the property to retain its occupancy and increase the average weighted lease term, but also significantly lowered the potential leasing costs as most of the deals, under normal market conditions, would have required additional tenant improvements dollars in addition to free rent offered.

Coming out of the pandemic, **Property Management was not only able to retain the entirety of its tenant base but have also increased occupancy and collections to 100%.** In addition, through the restructuring of leases tenant negotiations, **the team was able to increase the NOI by ~\$135k per month and distributions by over 33%.** In essence, the Sperry Asset & Property Management team not only preserved the property through the pandemic but have also engineered and created significantly more value and generated more income for the property.

Current Value as of Jan-2021	
Valuation:	\$82,800,000
Occupancy:	99%
Equity Multiple:	13x

