Case Study: 96 Swampscott Road *Tim Brodigan*

If it's true that the three biggest rules to live by when buying an investment property are location, location, location, then the new owners of 96 Swampscott Road in Salem are in gross violation of the rules...or are they?

The 169,800 sf former plastics manufacturing building located on the Salem/Swampscott line was a challenging project. Over a year and a half of extensive marketing had provided little more than plenty of showings and low offers.

The two major deficiencies were location and building size. "You can't get there from here" would not be an understatement. There were plenty of users initially attracted to the building because of a lack of quality inventory of properties for sale that were from the inner suburbs or locations that were not far away. After analyzing their needs further, most of the companies realized that the location hurt current employees' commutes and was too difficult for trucking. The other challenge impeding the sale of the building was the size. It was simply too big for the Salem market. There were plenty of smaller (10,000-30,000 sf) users looking to buy but not enough large users. Further, the configuration of the building did not lend itself to subdivision.

After a year and a half of unsuccessful attempts to sell the property, JHR Development, a local development company came up with the solution – industrial condos. Although the idea is nothing new, the risk involved in buying an empty building of this size in a market that was questionable and with a property that did not appear to subdivide easily makes this an interesting case. This is how they did it.

Location: Being a local North Shore based firm, JHR Development understood the local market place. They knew many local companies with owners living in or around Salem proper or with companies based there. Because most of the new condo owners at 96 Swampscott Road commute, employee retention, and highway access was not a problem. This is where they lived and/or where they have always conducted business.

Size: Again, understanding the local market place, JHR realized that there were smaller users out looking to take advantage of low interest rates but unable to buy due to lack of inventory. JHR offered what was so hard to find anyplace else – fully demised units for sale ranging from 7,500 sf and up.

Subdivision: JHR saw possibilities that no one else saw–the clearing of land in the back of the property, creating new loading areas and reworking the front allowed for parking and front entrances that made a subdivision as small as 5000 sf possible.

JHR Development closed on the building in March '06. As of August 06, five months from closing, only 11,134 sf of the 169,800 sf is still available. JHR divided the building up into nine units, ranging in size from 7500 – 30,000 sf and sold each unit as fully demised shell space with loading capabilities at a cost of \$60-\$65 psf for an absolute shell. Each condo buyer then had to finish their unit at a cost of roughly \$20-\$25 psf. By understanding what was driving the local market and providing a solution, JHR Development was able to turn risk into a fabulous return.