

PRESIDENT'S REMARKS....

The current downturn in the commercial real estate market has presented us with unprecedented challenges. However, it's during these trying times that our collective strength as members of MAREMA can truly shine. By working together, sharing insights, and leveraging our unique skills, we can navigate through this complex landscape. Collaboration is not just a buzzword; it's a necessity. It's about building bridges between our diverse experiences. Together, we can create innovative solutions that will not only help us weather the storm but also set the stage for future success.

I urge each one of you to embrace this spirit of teamwork. Reach out to fellow members, engage in meaningful dialogues, and explore synergies that can lead to mutually beneficial outcomes. Remember, the sum of our efforts is greater than the individual parts. Let's harness the power of our network, our shared knowledge, and our commitment to excellence. This is the time to reinforce our bonds and demonstrate that MAREMA is more than just an association; it's a community of professionals dedicated to supporting each other and advancing the commercial real estate industry. Together, we will rise above the challenges and emerge stronger.

Deniz Senyurt

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BUYING ASSETS OR STOCK: WHAT ARE THE DIFFERENCES?

BY: PETER POKORNY

Introduction – Someone buying a business has two options, buy the assets used in the business or the stock or ownership interest in the business. In this article we'll use the term "stock" or "shares" to mean the ownership interest of a business including membership interests, which are the ownership interest of a limited liability company or "LLC" for short.

There are significant differences between buying a company's assets or the owner's stock shares. Some of the key issues are set out below.

ASSETS:

- What is it? Assets are tangible and intangible property, and for a business may include inventory, tools, copyrights, contracts, bank accounts, owned real estate and leased real estate. An asset sale may involve all or only some of a company's assets.
- When is it typically used? The majority of business sales are asset sales. As discussed below, there are several reasons for this. And a business may sell assets it no longer needs for operations.

STOCK:

- What is it? Shares or membership interest show ownership of a legal entity (a corporation or LLC). An individual or another business may own all of the shares. Or there could be several owners. A stock sale may involve all or only some of the ownership interest in a company.
- When is it typically used? Sale of all 100% of the shares of a business are typical in mergers. The sale of only some of the shares lets a business get new capital (i.e., new investors).





Advantages

- The buyer does not take on known or unknown liabilities (unless specifically agreed to).
- The buyer of assets gets a current (market) basis in the purchased assets for tax purposes.
- The buyer may negotiate to purchase some (but not all) of the assets of the business, thereby obtaining what it needs for a lower price than if it had to buy everything the business owned.

Disadvantages

- The buyer must make sure it lists in detail every asset it wants to buy. The seller may arguably retain anything not listed.
- Certain assets, like contract rights and leases, often require a third-party's consent to transfer the rights to a new owner. Fees may also arise.

Advantages:

- A sale of 100% of the stock means the business continues operating exactly as before.
- The buyer of stock gets to purchase assets which may have a low basis without making the seller recognize gain on the assets. This may let the buyer negotiate a lower purchase price.
- Buying all the stock ownership of a business automatically includes all of the businesses' assets.

Disadvantages

- A buyer of all the shares in a business will require a longer due diligence period and have the seller make more representations and warranties, since the buyer will take over all of the company's known and unknown liabilities and obligations.
- It is harder to value the shares of a company that is not publicly traded than the value of tangible assets.

Your Transaction – The issues discussed in this article may not necessarily apply to your transaction, and your transaction may raise issues not addressed in this article. In all cases, we advise you to consult an experienced business broker and experienced attorney to make sure the issues for your transaction are properly addressed



CLEAR SKY PROPERTIES LLC, CLEAR SKY FINANCIAL LLC

BY: CHARLIE EINSMANN

FOOD 4 THOUGHT - UPCOMING COMMUNITY BANKING CRISES

We are quickly approaching tough times within our community banking sector. We are fearful that many banks could be candidates for takeover by the FDIC. As you might have heard SVB (Silicon Valley Bank) in CA was taken over by the FDIC because of rising interest rates. When interests rise, bond prices fall. The jump in rates eroded the bank's bond portfolio. Customers made a run on the bank withdrawing their deposits. The bank's asset values became too low and the FDIC had to take over. The next day the WSJ came out with a list of the next 10 banks at risk of being taken over and one of the banks was a local bank, Sandy Spring.

What defines a community bank for these purposes? It is a bank that has less than \$10B in assets. The capitalization leverage ratio is 9% or greater for Tier 1 Capital. I will try and keep this simple so you get a basic understanding.

Now, enter in the looming beast!! This beast is the Class B and Class C office space. Look at your downtown areas (SF, LA, Wash DC, etc..) and what do you see?? Vacancies, vacancies and more vacancies. This has been a problem since COVID but even though these buildings have been vacant, they were still being leased by the tenants. Also look at your suburbs, what do you see? NEW OFFICE BUILDINGS BEING BUILT!!! Tenants were paying on vacant spaces. Now, there are 2 huge events in the next 6 months to a year. Many of these loans need to be refinanced and many of these leases are expiring. The problem with the refinancing of the loans is that interest rates have increased and the banks credit boxes have drastically changed. Couple that with the fact that most of these buildings have huge vacancies and you have a severely reduced NOI (net operating income) on these buildings.

So, the next question that you might be asking is how does this impact community banks? Well the community banks are holding loans on these assets. These loans will need to be eventually written down because of the sinking values of these buildings due to either a tenant default, a loan renewal etc...

Let's start with an example of how a community bank issues loans. If a bank issues a 5M loan they have to have 9% of that loan in the form of assets and the rest of the money comes from the Federal Government. So.. the bank needs \$450,000 in deposits and gets \$4,550,000 from the Feds. This loan is usually a 25 year amortized loan broken up into Five (5) 5-year segments where the interest rate on the loan modifies and/or the loan needs to be renewed. Here in lies the problem. A lot of these 5 year segments are coming up for renewal. Now, because of cash flow problems with tenants either not paying rents, not renewing leases, or simply consolidating to a smaller space the NOI on the building is much lower. In most cases the value of the building is based on the cash flow of the building. So.... now let's say the building gets reevaluated to 3M, what happens? The bank has to write down the loan from 5M to 3M (Not 100% correct but trying to keep this simple). What does the bank have to do? It has to recapitalize the loan. So, how the new loan at 3M becomes \$270,000 deposits and \$2,730,000 from the FEDs. The bank has to come up with a mere \$1,820,000 to pay back to the feds. Thus the beginning of a PROBLEM!!!

NEW LOOK COMING TO HISTORIC FAIRFAX

BY FRANK DILLOW



Commercial development has updated much of Fairfax County's landscape during the past 50 years, but "Old Town," the heart of Fairfax City with its historic charm, has remained largely unchanged.

Attempting to guide the future of Old Town, city officials adopted the "Old Town Small Area Plan" in June 2020, expanding on the historic downtown's unique historical character to create an attractive, walkable, cultural destination. The plan also sought to link downtown Fairfax to other parts of the city, including a much greater connection of the arts and cultural offerings between city center and the expanding George Mason University campus.

"Our goal is to expand beyond being the legal and governmental center of Fairfax County to become the small business center for Northern Virginia, while sharing our vision as a cultural and social center," Chris Bruno Fairfax City's Director of Economic Development explained.

If plans currently being considered by city officials are adopted, they may bring a new look to old town. Among those plans are:

THE OX FAIRFAX

A redevelopment plan submitted to city officials on June 23 by Ox Hill Companies proposes to demolish nearly four acres of existing downtown office and retail structures currently housing a bank, various offices and a thrift store bound by Sagar Avenue, Chain Bridge Road and University Drive.

Replacing the demolished structures will be a 2700 seat concert hall and performing arts center, an adjoining seven story 163 room hotel and conference center, luxury residential condos, while leaving 18,500 square feet available for new restaurants and retail sites. The new cultural center will also include an open green park and a four-level underground parking garage for 454 parking spaces.

Included in the redevelopment plan submitted in June is a change in the city's current zoning from CR (Commercial Retail) to CU (Commercial Urban) and other city zoning exceptions and modifications for parking and vehicle access, as well as an extension of South Street through the property to align with the future relocated entrance to the Fairfax County Judicial Complex on Chain Bridge Road.

The new development to be known as "The Ox Fairfax" would be architecturally designed to fit the historic downtown character, and be the first of a multi-phase redevelopment consistent with the city's Old Town Small Area Plan

The Ox Hill Companies, formed four years ago, is a Fairfax-based development firm focused on "reimagining and transforming underutilized properties with a focus on arts, entertainment and hospitality," according to its website. Ox Hill's objective is to look at properties with a fresh perspective and transform them into thriving destinations where people can live, work, and thrive."

CITY CENTRE WEST

On the corner of West and Main Streets, just west of the proposed Ox Fairfax cultural development, Ox Hill is also proposing to demolish a vacant drive-through bank, a vacant restaurant, and a low-rise office building on a little less than two acres abutting its boundary with Fairfax County.

The proposal will create new structures with 79 multifamily condominium units on the upper floors along with medical\general office space, and on the ground floor a drive-through bank, as well as space for retail or restaurant uses.

Submitted to city officials last year by Ox Hill, the proposal also requires a zoning change to Commercial Urban for the property, as well as various special use permits. The city council on July 11 approved the zoning changes to allow the proposal to move forward.

The most controversial provision for the project has been the request to modify the city's affordable housing ordinance to allow Ox Hill to add five affordable housing units at a separate location, rather than as a part of this development. The city has begun its public hearing process on the proposal. The council decided to delay a decision on the affordable housing for further review until February.

COURTHOUSE PLAZA

Courthouse Plaza, an 8.7-acre grocery anchored single-story shopping center built more than 50 years ago could also be redeveloped. Just a few blocks north of the proposed Ox Hill cultural center, Fairfax Combined Properties, Inc., a national development firm based in Washington, DC, has presented a preliminary "concept" to city planners for a two-phase project.

Their vision would first replace the surface parking and retail properties on the eastern side of the development with structured parking, two new streets and a new park.

The second phase on the west side would begin when the current Safeway lease expires. The existing one-story shopping center would then be demolished and replaced by a six story multi-family residential building, plus 62,000 square feet of commercial space, a parking garage and a continuation of the public park onto the western side.

APARTMENTS AT NORTHFAX

In recent years much of the newer development in Fairfax, has occurred along Route 29/50 as it bypasses downtown. That will be the location for yet another proposal, this one replacing an existing surface parking lot with a seven-story, 268-unit apartment building with ground floor retail by Capital City Real Estate, also of Washington, DC.

The apartments will be built at Eaton Road near Route 29/50 at its intersection with Chain Bridge Road, immediately west of the Willow Wood office complex. The project would also include a modest amount of ground floor retail and enhancements to the property's current landscaping.

City planners are currently scheduling public meetings on the proposal before making their recommendation to the City Council.

MAREMA NETWORKING SOCIAL – MAY 11, 2023

MAREMA hosted a lively commercial real estate networking reception at the Shipgarten in McLean.

MAREMA members and guests were treated to complimentary hors d'oeuvres and drinks in an outdoor setting on a pleasant and warm Thursday evening.

Approximately 70 attendees mingled, formed business connections and developed business opportunities.

Thanks to all of the following sponsors for making this a superb gathering:



UPCOMING



EVENTS

MAREMA CRE NETWORKING HAPPY HOUR

WHEN: SEPTEMBER 28, 2023

6:00 PM - 8:00 PM

LOCATION:

Patsy's American

8051 LEESBURG PIKE, VIENNA, VA 22182

MAREMA invites you to join us for a Commercial
Real Estate Networking Reception

For questions

Peter Pokorny

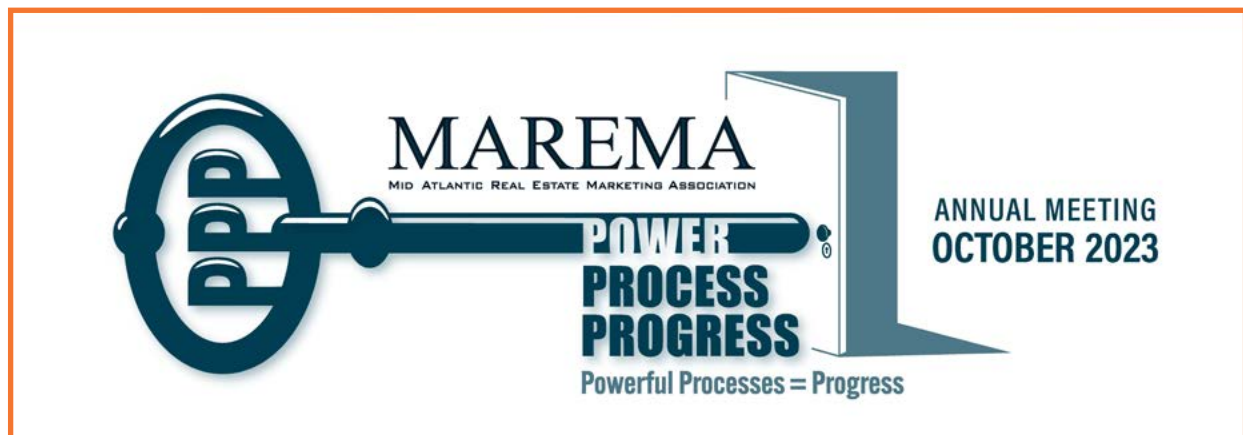
Peter@RECDC.com

Register Here

MAREMA members meet on the
3rd Wednesday of each month

9:30 am - 12:00 PM

**8230 Old Courthouse Road
Vienna VA 22182**



For Sponsorship information, contact [Karin Arnette](#)