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From the Triangle Business Journal:

<https://www.bizjournals.com/triangle/news/2020/08/10/companies-for-venture-for-distressed-real-estate.html>

Raleigh companies launch new venture focused on distressed real estate

Aug 10, 2020, 7:59am EDT

As financial challenges continue to sweep across the region, a pair of Raleigh firms have launched a new venture to serve as a one-stop-shop for all things related to distressed commercial real estate.

York Properties Inc. and Standard Title Company have announced the launch of York Standard Asset Management Company, a joint venture providing services for the handling of distressed commercial real estate, from receivership and active management to brokerage and more.

“It’s a concept and an idea that I’ve been working with York on for really a couple years,” said Grayson Russell, in-house counsel for York Standard and CEO of Standard Title.

The pair previously worked together during the Great Recession when Russell reached out to York Properties to handle receivership of foreclosed properties.

Ten years later, before the pandemic, the economy looked significantly different, but Russell figured that someday there would be another downturn, and that when it arrived there would be an opportunity for the new venture.



TRAVIS JACK, FLYBOY PHOTO & MEDIA

A pair of Triangle firms have started a joint venture providing services for the handling of distressed commercial real estate.

“It was really more about the timing of ‘It’s bound to happen, let’s get ready’ – not thinking it was gonna be something as devastating as the virus has been,” said George York, York Properties CEO. “From what I was gathering there wasn't much urgency or enthusiasm until we got to March and said “Oh man, this’ll be a big problem for a lot of folks.”

And while they’ve yet to finalize their first client in the days since the official announcement, Russell said they’ve been on a number of calls with potential clients that may soon be in need of their services.

“Our phone has started to ring for different things. ‘What’s our fees? What’s our structure? How do we operate?’” Russell said. “We've been talking to mall operators and retailers, hotels.”

One difference between this crisis and the last is banks’ and lenders’ willingness to work with borrowers, Russell said.

“Unlike the great recession, (lenders) have been given a lot of regulatory leeway to work with borrowers. That makes sense. These are economic failures that were caused not by mismanagement ... it was just completely unforeseen for all of us,” he said. “What we're hearing and seeing is banks are trying to forbear they're trying to modify while they have the regulatory blessing to do that.”

Still, after more than five months of the crisis with little assurance of a quick recovery, Russell said some lenders may be reaching the point where they have to exercise their rights and foreclose on properties.

The pair expect the bulk of their work will be acting as a neutral party that will actively manage and at times broker properties in the midst of foreclosure.

Russell said that when a lender forecloses on the owner of a property, the lender will often hand the property to a receiver such as York Standard rather than leave it with the borrower or let it sit unattended throughout the process.

This can also benefit the borrower, Russell said, as it may prevent any issues that could arise amid the handoff from borrower to lender, plus the possibility that neutral active management could add value to the property.

“We view it as a positive sum,” Russell said. “It can be positive for all parties.”

Both York and Russell will run the new venture in addition to their main jobs, and both make it clear they're not hoping for any trouble in the market – quite the opposite. However, they hope the new firm will be able to provide value in a time of crisis.

"I'd much rather be working with commercial clients selling title insurance and committed to our core focus," Russell said. "But I think realistically, the joint venture with York is going to have opportunities.

And as the head of a large brokerage and property management firm himself, York makes it clear he's invested in the success of the region.

"We're on both sides of this. We have a lot of properties, so we don't want to be a client of ourselves," York said. "So, ideally, there won't be any customers.

"I think it'd be fine if everyone can get back to business as usual and nobody lost their properties or business. We won't be out of everything but the cost of a website at this point."

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