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Texas Stadium opened in 1971. (Photo: Business Wire)

## A TALE OF TWO STADIUMS

*Two sports venues; two different disposition strategies.*

By Pam McKissick

Texas Stadium was built in 1971, 4 years before the birth of Pontiac, Michigan's \$50 million Silverdome. Texas ponied up \$35 million for Texas Stadium, 15,000 seats shy of the dome. While the Silverdome's final days featured tractor pulls and rock concerts, Texas Stadium hosted Garth Brooks, the Billy Graham Crusade and the heartwarming Mean Joe Greene Coke commercial.

Yet when both legendary structures had outlived their fans, their fates were uniquely different. The Detroit Lions long gone, Michigan chose to stop the bleeding — \$12 million over 8 years to maintain the vacant dome was enough. The 132-acre Silverdome in Michigan's real estate war zone was marketed around the world and sold at absolute auction to a Canadian entrepreneur who had dreams of creating an international soccer stadium. The sum? \$583,000 or, as one Texan remarked, "About what I paid for my boat."

By contrast, Texas chose to build on the future and tear down the past with a \$5.8 million, Kraft-sponsored smack-down of the old stadium requiring nearly 3,000 pounds of explosives. The new, state-of-the-art 80,000-seat stadium is 15 miles down the road in Arlington. The upside for the old site in Irving is a 10-year lease as

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## MANAGING SUCCESS

*What should property owners ask of their managers?*

By Michael Manno

Prior to and during this latest investment cycle, property managers drove owner's financial objectives while balancing the needs of current and future tenants. Still, many believed our only specialty was making sure the light bulbs were changed and the A/C was working. In the boom years, the brokerage firm that brought the deal was often awarded the leasing and management contract, even if there were better teams available. In that market, the abundance of debt and equity drove commercial asset values faster and higher than the traditional model of strong leasing and management. Even with this disconnect of management from value, the one-stop-shop approach appeared to be working fine.

Well, a funny thing happened on the way to the bottom falling out. The emphasis on creating significant long-term value for assets returned. The impressive offering books became

less important than the profit and loss statement, and it became clear that the cog was actually the piston all along. In the aftermath, many owners found themselves digging out of a rather deep hole, resulting in a welcomed return to basics. At the forefront of this return is a reliance on astute management as the fastest way of maximizing value.

So what should owners be asking of their managers? Fortunately, the basics should already be the core functions of property managers. Your manager should always seek to protect anyone who steps foot on the property. This helps maintain the asset. Items such as cracked sidewalks, hanging tree branches and wet floors are the easy liabilities to spot. The real concerns are less obvious and include fire/life safety issues as well as municipal building and ADA codes. Your manager needs to spot these before they

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# A TALE OF TWO STADIUMS AUCTION *from page 1*

TxDOT's staging area while developers weigh options and opportunities.

In determining the disposition strategies for both stadiums, handlers undoubtedly asked, "What's the structure costing us now? What can we get for it? How fast can we get it?" and "Who in the world would buy it?"

The operative word is world. The world is buying. Because real estate is immobile, we have the mind-set that it's local. This is not entirely true. Technology allows us to tour the structure, understand its value, invest in it and benefit from it without actually being there. The Pontiac Silverdome was marketed in 200 countries and received interest and inquiries from 84 of them. The buyer was international and bought the Silverdome during the live auction from his home country. This tells us that buying and selling have changed through targeted marketing and advanced technology. Some basics, however, remain.

### BIG ASSETS NEED BIG MARKETING STRATEGIES

Texas saw more value in the stadium seats than it did in the stadium and auctioned the former, not the latter. Michigan was out of time and money and had worn-out local investors. Global marketing expands the

potential buying pool beyond local or regional investors, and absolute auction gives buyers the certainty that the asset will trade.

### CASH IS STILL KING

Investors excited over long-vacant 10-story high-rises or empty stadiums may find their banks less enthusiastic and will have to love the buildings enough to put up their own cash.

### INVESTORS SEEK COMFORT IN DIVERSIFICATION

Investors save their highest high bids for multiple mid-sized plays versus one giant purchase. If two fail, four could carry. The buyer of the Silverdome skipped diversification for the opportunity to rebuild a landmark.

### TOUGH TIMES MAKE ACCOUNTANTS OF US ALL

The investor who once bought a vacant and unearning building based on location, condition and architecturally "good bones," now wants to know unequivocally what the building is, does and delivers. If it looks like a Starbucks, operates and cash flows like a Starbucks, chances are he or she can make it work as a Starbucks. A building that used to be a local food market, a dance studio or a church on Wednesday nights and now

sits empty gives the investor pause.

Investors knew what the dome was and what it once did; they simply didn't know if it could ever deliver again. But investors take risks if the rewards are great.

The Silverdome, on the market for 3 years in a near-bankrupt city, went to absolute auction, guaranteeing bidders that the asset would change hands on that day. The folks in Texas decided no one in the world would buy a building with a hole in the roof and scraped it. One seller let the market decide; the other decided for the market.

More than \$15 billion in commercial real estate was sold at auction industry-wide in 2008. Texas and Michigan, both stewarding iconic stadiums, chose entirely different approaches to risk management, as they surfed the choppy commercial waters that will soon get rougher.

We only have to look over our shoulder at the residential REO disaster to see what delayed action will deliver. REO speculators valued and re-valued properties, put them on the traditional market, watched and waited as vacant, unearning assets deteriorated. Ultimately, the government stepped in and mandated programs that helped

some homeowners but dramatically slowed disposition.

Prognosticators tell us that commercial faces a similar fate with more dire consequences due to the size and scope of the underlying investments. The Congressional Oversight Panel recently asserted that the commercial real estate crisis could last for years with bank losses that could range as high as \$300 billion. Upside-down commercial investors are hurriedly spending time and money trying to value their properties and determining how long they can survive before their bankers give them a call. Even if they own the asset free and clear, they know its value is declining. Should they hold or release? How long will the commercial downturn last? Can they outwait it?

The good news for Michigan and Texas is that they each had a real estate strategy. They executed their plans as if their stadiums were in a championship playoff and this was the 2-minute drill. Now they're on the upside of the market. □

Pam McKissick is the president and COO of Williams & Williams Worldwide Real Estate Auction.



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