

Tony

Title:

Buyer of municipal residential properties right in many ways

Challenge

Gavlegårdarna is Gävle's municipal housing company and with 16,000 flats and 1,000 commercial properties, is one of Sweden's largest public sector property companies. For portions of the older holdings, the need for renovation and investments is considerable, and the municipality also places demands on Gavlegårdarna to produce new flats with right of tenancy.

To free resources for this, Gavlegårdarna's board of directors decided to sell 600 flats over a three-year period. As a public sector housing company, Gavlegårdarna also wanted to sell to a responsible and long-term property owner.

For NAI Svefa, the assignment therefore involved not just finding a buyer, but finding the right buyer. And this in the midst of a serious recession.

Solution

NAI Svefa's transaction group, with Tony Weideskog as the project manager, was brought in at an early stage for an analysis of which properties would be suitable to put on the market. A portion of the holdings were appraised, based on economic, technical and social aspects.

Based on the above, a few areas were selected that NAI Svefa believed could attract good buyers and provide the desired financial results.

For taxation reasons, NAI Svefa recommended that the transaction be conducted in company form, with the relevant properties first being sold to a subsidiary set up expressly for this purpose. This meant that the buyer would be able to purchase a complete limited company, including properties.

Based on previous experiences from similar assignments, and with representation and networks all over the country, NAI Svefa had a good idea of which companies could be potential buyers. More than 30 property companies, both local and nationwide companies, were given a personal presentation of the properties. Seven or eight showed strong interest.

It was at this time the recession hit with full force, resulting in among other things, difficulties in arranging loans. A financially knowledgeable member of the transaction group maintained constant contact with the banks to minimise the problem of financing. Initially, the recession also produced such uncertainty in the marketplace that some property companies backed off. To attract more potential buyers, NAI Svefa chose to split sales of the initial 440 flats into two transactions.

Results

The first transaction for 240 flats in the Sättra residential district was concluded this past spring. The local, family-owned property company of Svedinger Fastigheter AB bought nine residential tower blocks totalling 18,000 m² for SEK 85 million.

"We're happy that NAI Svefa was able to find a buyer known for working for the long term, and that has solid experience and a good reputation, while at the same time we reached a financial arrangement that both parties are very pleased with," says Ulf Egerfält, financial manager at Gavlegårdarna.

NAI Svefa has participated throughout the process, from appraisal to transfer of possession, and has taken full responsibility for agreements and documentation, surveying tasks, and the financial and legal matters that arise in such a large and complex transaction as this.

With extensive experience of working with the public sector, NAI Svefa has a good understanding of the underlying reasons for selling and what is important in this type of process. It has a lot to do with clear communications and documentation of the process, both for the seller and prospective buyers. Tony and his colleagues submitted regular reports to management regarding the status of the sales assignment.

With excellent co-operation and an engaged client, NAI Svefa was able to lead the process all the way to the goal.

The remaining properties are being marketed as of this writing, with hopes of being able to sign an agreement by the beginning of 2010.

Leading-edge consulting

Tony Weideskog is a surveyor and real estate economist. He began at NAI Svefa as an appraiser but for the past six years has worked in the transaction segment. During this time, Tony has served as chief project advisor for more than 50 transactions. Thanks to his broad experience, Tony is able to handle complex assignments that demand multiple skills in areas such as property registration prior to sales, rights, appraisals and company structuring. An excellent example of "expertise that makes values grow".