

New RiverRock Unit Targets Troubled Properties

By [Bob Howard](#)



SANTA ANA, CA-Property management firm RiverRock Real Estate Group has launched a new division called the Value Maximization Unit that will specialize in stabilizing distressed assets and has named 35-year industry veteran Carla Gazzolo to lead the new effort. Gazzolo, who is a former senior vice president and regional managing director with Colliers International, tells GlobeSt.com that the new RiverRock unit already has proposals out to a number of property owners and will be offering its

services for assets of all sizes, including portfolios.

John Combs, founder of RiverRock, says that stabilizing troubled assets is “the most crucial step” for owners in today’s economy. He points out that RiverRock is already experienced in turning troubled assets around. For example, the firm is managing residential and commercial assets for receivers working in the hard-hit Inland Empire market, and its team has years of previous experience working with distressed properties when the government formed the Resolution Trust Corp (RTC) to liquidate insolvent assets of the savings and loan associations in the previous economic downturn.

Combs and Gazzolo say that RiverRock is positioned to create strategies for coping with the fallout from the current economic crisis through the combination of the new Value Maximization unit and a services platform that already includes property management, construction management, project management, leasing and accounting. Gazzolo points out that the combination of RiverRock’s experience with distressed assets and its services offerings enables the firm to tailor a strategy that best suits the specific asset.

Gazzolo cites two examples of some properties for which RiverRock is working on proposals right now. In one case, the owner of a small office building valued at between \$2 million and \$3 million is “facing foreclosure on the building and doesn’t know where to turn,” Gazzolo says. The asset “has a lot of integrity,” but it needs some construction management in order to stabilize it, and it may need either an infusion of cash by someone who would pick up the note—or possibly a new buyer.

In another case, the owner of a 100,000-sf office building is looking for help to become more competitive in a market where vacancies of his competitors’ buildings are in the single digits but his building is running between 14% and 18% vacant. The ownership has a good loan on the property but is not as aggressive in the marketplace as it could be and is not competitive on tenant improvements, Gazzolo says.

In both cases, the owners lack the expertise to solve their problems and lack the access to the types and quality of services that they need to make their properties succeed. Regardless of what ultimately turn out to be the best courses of action for these owners, Gazzolo says, “We are going to provide that small and middle-tier buyer with the same level of service as the more sophisticated institutional owners have come to expect, whether it be the best bids on

tenant improvements and construction management, the best leasing and marketing services or the best advisory services on how to investment structure the building,” Gazzolo says. “We want to be able to help these people really understand what the situation is and how to remedy it.”

Gazzolo, whose primary areas of expertise are office and retail properties, notes that RiverRock plans to expand its Value Maximization Unit soon with the addition of a multifamily specialist. Working with the other specialists at RiverRock, the new team will be able to offer its services for everyone from mom-and-pop owners to institutional investors, according to Gazzolo, whose experience includes posts at Cushman & Wakefield, CB Richard Ellis and Prudential Insurance Co.

Combs founded RiverRock in August 2003 after serving as the head of Insignia ESG’s property services division. His firm specializes in commercial, industrial and retail management of a West Coast portfolio totaling more than 8.5 million sf of space, operating from its headquarters and seven other offices in Southern California.

Combs says that the new Value Maximization Unit will offer much-needed services in the new era of economic uncertainty and troubled capital markets that the commercial real estate industry is facing. “It’s imperative that these new owners have access to nimble firms such as ours, led by real estate advisers who have a depth of experience in business cycles and real-world knowledge of how to turn around an asset, bring it to market and stabilize it,” the RiverRock founder states. “It ‘s not just a matter of expertise, but a depth of experience and the nimbleness to move quickly that is going to be important as the government and the real estate industry deals with the real estate crisis at hand.”

Copyright © 2008 ALM Properties, Inc. All rights reserved. Reproduction in whole or in part without permission is prohibited.

For reprint information call 410-571-5893 or e-mail afaulkner@remedianetwork.com.