Value Outside the Box

By Brian Holroyd

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In recent years, commercial property values have increased considerably through market forces. Investor pressure for deals has pushed many prices to historic highs. That's made it harder to realize a reasonable return from a hold-and-manage strategy. Enter reuse; it's hardly a new concept. Commercial owners and managers have long spiffed up the lobby, added a few amenities, and upped the rents to increase asset value, but adding true asset value is more than a cosmetic face-lift, or even a complete change of property use. Here is a solution to adding real asset value outside the box.

Take it Higher

According to the U.S. Department of Commerce, in just one month, more than $300 billion of goods flow into or out of the United States. All those goods have to be stored somewhere, which explains why the NATIONAL ASSOCIATION OF REALTORS' research department predicts that vacancies in warehouse/distribution space will continue to fall in 2007, and that is only the warehouse and distribution industries.

What about real estate "white elephants," a term often used to describe valuable industrial property whose usefulness is outweighed by its cost? Such properties are essentially a liability. They may be located in prime or highly desirable locations but often fail to meet the specifications of potential buyers or tenants and remain vacant.

One of the most common prohibitive factors found among warehouse and industrial property in today's maturing market is low clear ceiling heights. Simply stated, industrial property demands have outgrown the older structures. There are millions of square feet of industrial property in every major city in North America that have become or are becoming noncompetitive and a cost/asset liability to their owners/investors. Yet many of these existing properties have a location advantage of being near highways, airports, ports, and railways. Prime land sites are harder to find and their purchase costs are often exorbitant. Considering the construction costs associated with building a new facility, it is becoming good business sense to take a closer look at these older, outmoded properties and rehabilitate them by raising their roof heights and expanding them vertically, especially as the associated costs can be as little as $15 per square foot on a template of a 100,000-square-foot building.

Example: Canada's largest distributor of candy and snack foods was faced with the costly prospect of constructing a new, taller warehouse next door to its facility and then tearing down the older, outmoded building. Instead, they decided to expand upward rather than outward—literally. With the help of Rooflifters (www.rooflifters.com), they raised the existing roof of the 70,000-square-foot warehouse by jacking up the entire roof to achieve the 16 additional feet it needed to accommodate its modern multistory conveyor system. The biggest plus was that this approach did not just save time over new construction—it lowered the cost of adding space. The company estimates that they saved approximately 40 percent in construction costs while more than doubling the facility's useable area from 1,120,000 cubic feet to 2,240,000 cubic feet in just six months.

Roof Lifting Process

Rooflifters' patented roof lifting process transfers the existing roof load onto specially designed hydraulic equipment placed underneath the structural beams of the roof. The entire roof is then separated from the perimeter walls, and the structural columns are severed, with the existing mechanical, lighting, and HVAC simply cut. The entire roof is then raised to the desired height and held there while the wall structure is strengthened and built up to the new height. New structural columns are built and the mechanical, lighting, and HVAC are re-connected.

During the actual raising, the Rooflifters' unique system is able to synchronize the lifting of each point with tolerances as low as one-eighth of an inch so that there are no stresses or damage to the existing roof structure, thus maintaining full structural integrity. All work is done under the roof and inside the building.

Rooflifters is able to raise roof areas of up to 150,000 square feet at one time, and larger areas can be done in phases. The building can even be used during the process, although the working section has to be vacated.

Savings More than Simply Costs

In addition to saving time and reducing costs compared to conventional alternatives such as demolition, reconstruction, or new construction, Rooflifters technology offers significant environmental benefits:

- The original building is reused instead of being demolished.
- The expansion of a property is upward, so no virgin land is compromised.
- There is minimum disruption to the locality during the construction process.
- Ninety percent of existing materials are reused or recycled in the process, thus minimizing the use of valuable natural resources.
- There is little or no waste product to dispose of, therefore no adding to landfills.

Repurposing Buildings

Roof lifting also has a value-added application for retail, where a company can convert a former retail or existing industrial building with low ceiling height into a new use, thereby generating much more revenue.

Government Incentives for Rehabilitation

Investors, owners, and businesses that are outgrowing their present facility should also be aware of local, state, and federal programs that offer incentives to rehabilitate existing industrial structures and reuse industrial buildings vacant for at least two years. In some areas of Chicago, for instance, programs entitle properties to a reduced rate of assessment for up to 10 years. Rehabilitating older buildings may also qualify owners for tax deductions of a percentage of construction costs.

To-date Rooflifters has raised more than six million square feet of low-height roofs across North America. The company has offices in Miami, Florida, and Toronto, Ontario.

'ROOFLIFTERS, THINK OUTSIDE OF THE BOX'