

Trust, Mutual Respect and the Lost Art of the Long-term Business Relationship

How Tim Smith and Real Estate Advisors have led the Apache Group of Minnesota from 20,000 square feet to 102,000 square feet over 15 years

Long-term relationships play a major role in the success of Tim Smith and Real Estate Advisors. No relationship illustrates this point better than the relationship shared between Mr. Smith and The Apache Group of Minnesota. During the past 15 years, Tim has guided the Apache Group through a series of real estate transactions that have led the Apache Group from a 20,000 square foot industrial property to their current 102,000 square foot build-to-suit facility.

In the late 1980's, Joe Adrian, founder of the Apache Group, realized that his 20,000 square foot facility no longer met the needs of his growing business. A colleague had just concluded a successful commercial real estate transaction and recommended the services and expertise Tim Smith. Mr. Adrian contacted Tim and the two agreed on a course of action.

Tim conducted an exhaustive search for suitable facilities and identified the perfect property. This building would not only provide the added space the Apache Group required, but would very likely provide a generous return should the company decide to sell it in the future. Tim Smith quickly found a buyer for the company's existing facility, and engineered a 1031 Starker exchange. This gave the Apache Group the ability to purchase the new 50,000 square foot facility while deferring capital gains from the sale of their previous building. Mr. Smith would use this technique again as the Apache Group continued to grow.

Seven years later, Mr. Adrian faced a dilemma. The 50,000 square foot footprint of his current building was large enough to accommodate his business, but the 16' ceilings severely limited its utility as a distribution center. Since he could not go up, he again turned to Tim Smith for his real estate expertise.

The seven years that elapsed since the Apache Group had purchased the facility changed the market dramatically. Demand for such properties had increased greatly, and Tim Smith knew it. Therefore, Tim recommended an asking price that would net the

Apache Group a handsome return. Tim listed the property for sale, and notified investors and brokers in his professional network. Scott Tankenoff of Hillcrest Development, the owner from whom the Apache Group originally purchased the facility, jumped at the opportunity to own it once again. He had made a substantial return from it once, and was confident he could do the same again.

In the meantime, Mr. Smith once again conducted an exhaustive search for an existing property that would meet the unique needs of the Apache Group. This time, however, the search yielded no good opportunities. Tim then investigated build-to-suit opportunities for his client. After considerable effort, he recommended that the Apache Group construct a facility unique suited to their needs. Though the company needed 50,000 square feet, Tim determined that developing 72,000 square feet facility with 28' ceilings offered increased economic value and would allow for future expansion. Tim found the ideal site and oversaw the entire design and development process. With the help of Tim Smith and Real Estate Advisors, the Apache Group of Minnesota had the perfect new facility. By again utilizing a 1031 Starker exchange, Tim Smith allowed his client to defer capital gains from the sale of their previous building.

Two years later, the Apache Group investigated the feasibility of constructing an addition to the facility that they could lease at favorable rates to provide the business with additional revenue. With Tim Smith's help, the Apache Group added 28,000 square feet to the property. In a very short time, Tim identified two strong tenants and negotiated lease terms that would yield the return the Apache Group desired.

Fifteen years and over 80,000 square feet later, the relationship between the Apache Group of Minnesota and Tim Smith of Real Estate Advisors remains strong and mutually beneficial. This type of long-term relationship is not common in the industry, but it's the way Tim Smith prefers to conduct business.