



ALP LTD. VALUATION SERVICES PRESENTS:

# Rental Revenue Rescue:

How Real Estate Agents & Landlords can  
Recover from Sudden Tenant Closures.

 (506) 804-4430

 [CMEA@ALPAtlantic.com](mailto:CMEA@ALPAtlantic.com)

 [www.BusinessAndAssetValues.com](http://www.BusinessAndAssetValues.com)



Scan to add us to your  
cell phone contacts.

# Executive Summary

Advantage Liquidity Partners (ALP) Ltd. Valuation Services Presents:

## Rental Revenue Rescue: How Real Estate Agents & Landlords can Recover from Sudden Tenant Closures.

This case study explores strategic opportunities for commercial real estate agents and landlords dealing with business assets left behind in leased properties after tenant closures. Fixtures, equipment, and furnishings often remain when businesses like restaurants or retail stores fail, turning what might initially seem like liabilities into potential assets.

### **The Role of Equipment Appraisers**

Equipment appraisers provide accurate, market-based valuations that are crucial in small business acquisitions, refinancings and asset dispositions, even on leased premises. These appraisals are also beneficial in the event of legal disputes, offering unbiased documentation to help resolve conflicts efficiently.

### **Key Strategies for Asset Management**

Eight different strategies are presented to help turn a vacant commercial space back into a cash-flowing asset.

### **Conclusion**

By leveraging professional appraisals and exploring creative asset management strategies, landlords can transform abandoned assets into profitable opportunities. This proactive approach not only minimizes losses but can also enhance property marketability, providing a significant advantage in today's competitive real estate environment.

**Call to Action:** Learn from these strategies and be a better advisor to your commercial landlord clients. By working with certified machinery and equipment appraisers and other advisors, you'll help your clients make informed decisions in asset management.

## President's Message

Hi there and Welcome!

My name is David Barnett, I founded Advantage Liquidity Partners Ltd. in 2008 and introduced Certified Machinery & Equipment appraisals in 2009.



Thank you for taking the time to download this report.

When a landlord locks the doors on a tenant, their first thought is typically of finding someone new to rent the location. We want to help you become a better and more informed real estate agent by showing you how the seized or abandoned assets left behind by a departing tenant can be useful in your dealmaking.

If you received this report as a gift from someone, please take a moment to add yourself to our email list so that you can receive our monthly newsletter with short updates and educational clips about the world of equipment appraisal and trends in used machinery values.

Sign up at [www.CMEAEmails.com](http://www.CMEAEmails.com) or scan this QR code to open the signup form on your phone.



Over the years, I've had the pleasure of working with many landlords, lenders and real estate agents.

Dealing with a suddenly empty commercial unit is not fun for your client. Let's work together to help remediate their losses as quickly as possible and look for opportunities to benefit to the extent that we can.

Thank you

A handwritten signature in blue ink, appearing to read 'D. Barnett', is written in a fluid, cursive style.

David C Barnett

[www.BusinessAndAssetValues.com](http://www.BusinessAndAssetValues.com)

Contents

Executive Summary.....2

President’s Message .....3

8 Strategies for Commercial Landlords and their Agents in Handling Left-Behind Business Assets. .5

Appendix A- Definitions of Value .....9

    Fair Market Value.....9

    Fair Market Value - Removed .....9

    Fair Market Value in Continued Use .....9

    Fair Market Value – Installed..... 10

    Orderly Liquidation Value..... 10

    Forced Liquidation Value ..... 10

    Liquidation Value in Place ..... 10

    Salvage Value ..... 10

    Scrap Value ..... 10

    Insurance Cost New ..... 10

    Insurable Value Depreciated ..... 10

Appendix B- Frequently Asked Questions ..... 11

    Video#1: Certified Appraisals- How they differ and what they look like. .... 11

    Video#1: Questions for the party ordering the appraisal. .... 11

    Video#1: Questions for the equipment buyer or owner. .... 11

    Video#1: Understanding small business valuations. .... 11

# 8 Strategies for Commercial Landlords and their Agents in Handling Left-Behind Business Assets.

## Introduction

In the world of commercial real estate, managing leased properties comes with the challenge of handling assets left behind when businesses fail. Fixtures, equipment, and furnishings often remain in these spaces, and landlords must make strategic decisions to minimize financial losses or, where possible, turn these assets into profitable opportunities.

## The Role of Certified Machinery & Equipment Appraisers

Equipment appraisers play a vital role in small business acquisitions, refinancing, and equipment sales, even on leased premises. Their expertise provides accurate valuations of fixtures, equipment, and furnishings. These reports can influence critical business decisions, from securing financing to negotiating the terms of business deals. Appraisers ensure business owners and lenders understand the market value of these assets, creating a foundation for informed, strategic actions.

## Understanding the Value of Left-Behind Assets

An asset left behind or seized as collateral for non-payment of rent doesn't have to be a liability. The key lies in understanding its value through a professional appraisal. Here's why:

## Importance of a Certified Machinery & Equipment Appraisal

- **Clear Market Valuation:** Professional appraisers provide an objective assessment of fixtures and equipment, reflecting their true market value. This valuation equips landlords with a basis for making strategic decisions. (These values change over time and the operating status of the business.)
- **Advantages in Legal Disputes:** Appraisals can be crucial in the event of a legal dispute or lease termination conflict. They serve as documented, unbiased evidence of asset value, potentially reducing litigation costs and providing clarity in ownership disagreements.
- **Understanding Opportunities for Gains:** The value at which an item is worth in a failing business is different from the value to a new business owner looking to use such an item in their new business. Landlords in possession of such assets can realize a gain which may offset losses from uncollected rent.

## Strategies for Landlords & Agents

With an accurate understanding of asset value, landlords can choose from several strategies to manage these assets effectively:

### 1. Lease with Assets Intact

- **Description:** Market the property as a turnkey opportunity for businesses looking to operate in a similar field (e.g., a new restaurateur moving into a space already equipped with kitchen essentials).
- **Benefit:** The convenience of ready-to-use equipment can justify higher rent or favorable lease terms.
- **Implementation Tips:** Highlight the assets' condition and *Fair Market Value in Continued Use* in marketing materials and negotiate leases that emphasize the tenant's cost-saving advantage.

### 2. Asset Sale to New Tenant

- **Description:** Offer to sell the equipment as part of the leasing deal, presenting it as a one-time purchase for the new tenant. The tenant may be able to borrow against these assets at a *Fair Market Value-In Continued Use* creating an opportunity for outside leverage to be applied to the new leasing deal.
- **Benefit:** Generates immediate cash flow, helping to offset any financial losses from the previous tenant.
- **Implementation Tips:** Work with an appraiser to learn the various values that may apply and package the equipment sale as a unique opportunity for the new tenant to hit the ground running.

	Value Definition	Moveable Equipment	Trade Fixtures/ Installed Equipment	
Abundant Time	Fair Market Value- In continued use	Full Value- including freight/connections	Full Value- including freight/installation	Business Open
	Fair Market Value	Full Value	Full Value- Ignoring freight & installation Value	
	Fair Market Value- Removed	Full Value- Less Transport & Disconnections	Full Value- Less dis-installation costs & site remediation costs.	
	Orderly Liquidation Value	'Wholesale Value'	'Scrap Equivalent'- Less dis-installation costs & site remediation costs. (Typically, <i>nil.</i> )	
Limited Time	Forced Liquidation Value	Auction Value	<i>Nil</i> for Lenders. May hold some value for Landlords.	Business Closed
	Liquidation Value- In Place	Auction Value- Less a discount for <i>en bloc</i> transaction	<i>Nil</i> for Lenders. May hold some value for Landlords.	

### 3. Equipment Liquidation

- **Description:** If leasing with the assets intact is not viable, consider selling the equipment. Landlords are in the unique position of controlling the time allowable for a sale. While a tenant in a failing business might struggle against a looming deadline to achieve a *Forced Liquidation Value* or *Liquidation Value-In Place*, a landlord with time available should be able to sell off assets at an *Orderly Liquidation Value*.
- **Benefit:** Provides cash, although potentially at a lower value and over a longer period of time than selling directly to a new tenant.
- **Consideration:** The opportunity cost of making the space available more quickly for a different kind of tenant.

### 4. Temporary Pop-Up Leasing

- **Description:** Utilize the space and assets for short-term, pop-up businesses, such as seasonal shops or trial concepts.
- **Benefit:** Generates temporary income while keeping the property active and appealing to potential long-term tenants.
- **Implementation Tips:** Market the location as a flexible, turnkey option for entrepreneurs looking to test their business ideas with minimal initial investment.

### 5. Community or Event Space Rental

- **Description:** Convert the space into a community hub or event space, leveraging the existing equipment. For example, a restaurant setup could be rented for private parties, cooking classes, or corporate events.
- **Benefit:** Diversifies income streams and keeps the space in use while searching for a long-term tenant.
- **Implementation Tips:** Network with local event planners, caterers, or community groups and emphasize the convenience of ready-to-use facilities.

### 6. Collaborative Workspace or Incubator

- **Description:** Transform the location into a shared workspace or small business incubator, particularly if the assets are versatile (e.g., a commercial kitchen could support multiple food startups).
- **Benefit:** Attracts a variety of tenants and fosters a vibrant, business-friendly environment, increasing the property's appeal and market value.
- **Implementation Tips:** Partner with local economic development organizations or business mentors to create a supportive ecosystem for startups.

## 7. Barter or Trade with New Tenants

- **Description:** Negotiate creative deals with new tenants, such as offering discounted rent in exchange for upgrading or maintaining the existing equipment.
- **Benefit:** Reduces the landlord's out-of-pocket expenses while ensuring the equipment remains in good condition.
- **Implementation Tips:** Structure the agreement to ensure both parties benefit and outline the specific responsibilities for equipment maintenance or upgrades.

## 8. Equipment Leasing to Nearby Businesses

- **Description:** Instead of selling the equipment, lease it to neighboring or nearby businesses that could use it on a temporary or ongoing basis.
- **Benefit:** Generates recurring revenue without having to liquidate the assets.
- **Implementation Tips:** Develop flexible leasing terms and maintain the equipment to ensure its reliability and appeal.

## Additional Recommendations

### Early Engagement with Appraisers

Proactively engaging an equipment appraiser when signs of tenant financial distress appear can give landlords more time to plan and strategize, reducing the impact of sudden business closures.

### Pre-Planning for Asset Transitions

Develop a plan in advance for handling situations where assets are abandoned. This includes understanding the types of businesses that could benefit from turnkey operations and having a network of professionals, like appraisers and legal advisors, ready to assist.

### Legal Considerations

Work with legal experts to ensure all actions taken regarding abandoned or seized assets are compliant with lease agreements and any lien claims. Having a documented and certified appraisal can also be beneficial in these discussions.

### Conclusion

Strategic planning and the use of professional appraisals can transform abandoned or seized business assets from a liability into an opportunity. Commercial real estate agents have the power to advise landlords on the best paths forward. Arm yourself with full knowledge by recommending an appraisal of the equipment as soon as possible.

**Call to Action:** Educate your clients on the value of appraisals and proactive asset management. Together, you can turn challenging situations into profitable opportunities.

# Appendix A- Definitions of Value

The following values are defined in the publication *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery & Technical Assets*, Third Edition, by the American Society of Appraisers. This table has been assembled by ALP Ltd. Valuation Services to guide the reader into understanding which values are most pertinent given the different considerations to business profitability and the available timeframe for equipment sales.

	Value Definition	Moveable Equipment	Trade Fixtures/ Installed Equipment	
Abundant Time	Fair Market Value- In continued use	Full Value- including freight/connections	Full Value- including freight/installation	Business Open
	Fair Market Value	Full Value	Full Value- Ignoring freight & installation Value	
	Fair Market Value- Removed	Full Value- Less Transport & Disconnections	Full Value- Less dis-installation costs & site remediation costs.	
Limited Time	Orderly Liquidation Value	'Wholesale Value'	'Scrap Equivalent'- Less dis-installation costs & site remediation costs. (Typically, nil.)	Business Closed
	Forced Liquidation Value	Auction Value	Nil for Lenders. May hold some value for Landlords.	
	Liquidation Value- In Place	Auction Value- Less a discount for <i>en bloc</i> transaction	Nil for Lenders. May hold some value for Landlords.	

**Fair Market Value** is an opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.

**Fair Market Value - Removed** is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, considering removal of the property to another location, as of a specific date.

**Fair Market Value in Continued Use** is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification.

**Fair Market Value – Installed** is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts, considering market conditions for the asset being valued, independent of earnings generated by the business in which the property is or will be installed, as of a specific date.

**Orderly Liquidation Value** is an opinion of the gross amount, expressed in terms of money that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date.

**Forced Liquidation Value** is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as-is, where-is basis as of a specific date.

**Liquidation Value in Place** is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a properly advertised transaction, with the seller being compelled to sell, as of a specific date, for a failed, non-operating facility, assuming that the entire facility is sold intact.

**Salvage Value** is an opinion of the amount, expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for possible use, as of a specific date.

**Scrap Value** is an opinion of the amount, expressed in terms of money that could be realized for the property if it were sold for its material content, not for a productive use, as of a specific date.

**Insurance Cost New** is the replacement or reproduction cost new as defined in the insurance policy less the cost new of the items specifically excluded in the policy, as of a specific date.

**Insurable Value Depreciated** is the insurance replacement or reproduction cost new less accrued depreciation considered for insurance purposes, as defined in the insurance policy or other agreements, as of a specific date.

## Appendix B- Frequently Asked Questions

Visit our website to see our currently available videos that answer some of the most important questions we receive. <https://www.businessandassetvalues.com/faq>

### Video#1: Certified Appraisals- How they differ and what they look like.

What does a USPAP-Compliant Certified Machinery and Equipment Appraisal report look like?

What's the difference between a CMEA report and what an equipment dealer might create?

### Video#1: Questions for the party ordering the appraisal.

What information do you need to begin?

How much does it cost?

What if we have no equipment list to give you?

### Video#1: Questions for the equipment buyer or owner.

Do you need to come and visit the equipment?

Why do I need a Certified Appraisal?

Why is my banker asking for an equipment appraisal for the business I'm going to buy?

### Video#1: Understanding small business valuations.

Who needs a small business valuation?

How I complete the valuation exercise.

What the final report document looks like.

