

Real Estate Industry

Case Study

Mandate

Beacon was engaged by an owner of an art gallery who was enduring the adverse effects of a recent economic fallout to sell their company, initially. Located in Yorkville, an exclusive area within Toronto, such a space was in high demand for various commercial vendors. As the client owned the building itself, Beacon saw an opportunity to not sell the core business and to instead sublet part of the building to generate additional revenue to assist the gallery in remaining in operation. The gallery owners did not want to exit through acquisition after 30 years in business, and with the guidance of Beacon, they did not have to.

Implementation

Beacon did not see the need to compile a fairness opinion to determine the business' true market value but instead advised the client to renovate the main floor and lower level for lease for commercial business. This would leave room for gallery operations to continue on the upper two floors in a reconfigured manner. Capital improvement expenditure totalled to \$100,000 in order to attract subletters, it was not a challenge to find them. Gross income from leasing the aforementioned spaces amounted to \$500,000 across five years, and at the date of sale, the cost of capital improvements was written off against any capital gains taxes. Through our experience in acquisitions across a diverse range of industries and within economic fluctuations, we were successfully able to meet the seller's criteria and ultimate vision.

Outcome

The owners vetted and negotiated deals with commercial businesses across the restaurant, retail fashion, legal and finance industries, to rent the renovated spaces. Our client was able to supplement their income from their original art-based income stream with a new rental income stream as commercial landlords. Beacon's involvement through the succession planning and transition phase ensured that existing client relationships were preserved through the sale process, which occurred when the owners were comfortable to undergo acquisition.