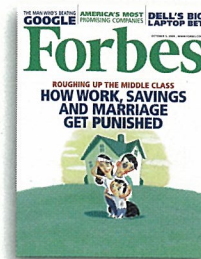


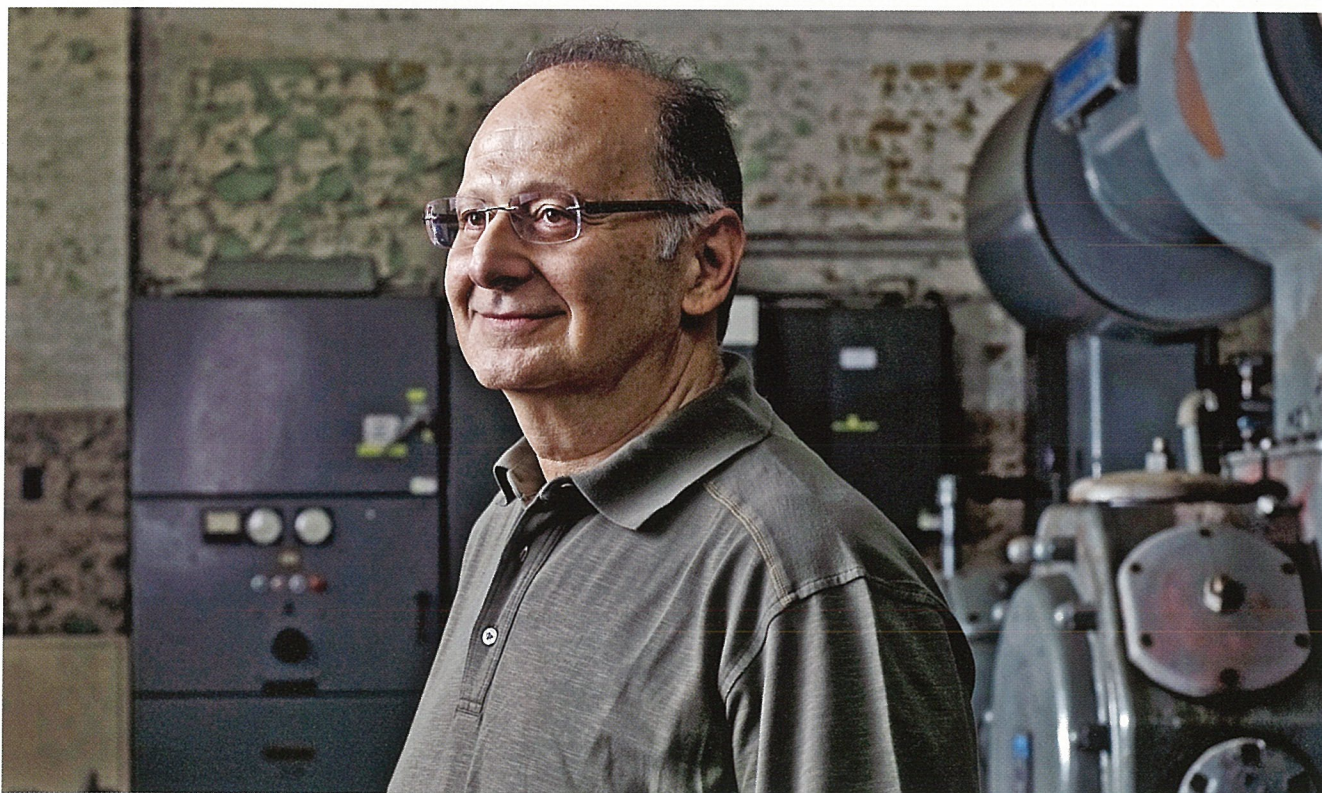
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## ENTREPRENEURS

REAL ESTATE



# Renaissance Man

STU LICHTER finds treasure in the Midwest's gutted manufacturing corridor. By Christopher Steiner

**I**N 1950 CANAL PLACE, THE 3-MILLION-square-foot epicenter of BF Goodrich in Akron, Ohio employed 23,000 and had its own police and fire departments.

By 1990 competitors using cheap foreign labor had turned the tire factory into a ghost town. "It was a recipe for blight," says Stuart Lichter, who offered \$2.5 million for the land and 27 remaining buildings.

Today Canal Place brims with stores, law offices and technology companies. Its brick interiors and original cement columns are embroidered with flat computer screens, murals and glass atriums. Says Robert Bowman, Akron's deputy mayor for economic development: "You look out in the parking lots here and you'd never know there was a recession."

Lichter, 60, founder of Industrial Realty Group in Los Angeles, has built quite a business injecting life into America's moribund manufacturing hubs. There's plenty of inventory: 45,000 American factories have shuttered since 2000. Lichter chops up the sites into chunks to house smaller businesses, from law firms to welding shops. Rents typically run 40% below comparable space in

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new buildings that don't boast the same handsomely weathered exteriors. At first Lichter pored over newspapers for stories on plant closures and hounded brokers for tips; these days real estate consultants seek him out.

IRG's portfolio includes 75 million square feet, nearly half in hammered Ohio. He pays all cash for some buildings and borrows from banks for others. Last year's revenue (mainly from leasing) was \$200 million, up 33% since 2005; operating costs (utilities, insurance, maintenance) gobble up 35% of the rent take. Lichter doesn't see work slowing down. "There's tons of new businesses being started in the Midwest," he says. "They tend to be much smaller than the big firms we've lost, but they'll grow."

Lichter grew up in the Bronx, where his father owned car washes. After studying economics at the City University of New York he went to work for the federal government unloading unwanted real estate, such as old missile sites. Later he spent three years at Marine Midland Bank learning how to repair busted real estate deals—by arranging financing, negotiating with borrowers and seeking out new contractors.

In 1974 Lichter, with business partner

Barry Lang, used 24 credit cards to make the \$40,000 down payment on their first purchase: a one-block-long, \$338,000 two-story building in leafy Larchmont, N.Y. (Lichter still collects rent on the property.) IRG lived on credit cards for the next five years until Lichter raised additional capital from friends and family members who finally figured he knew what he was doing.

Lichter took his lumps early on. In 1983 he razed a Whirlpool factory in St. Paul, Minn. to build a new shopping mall. Hungry tenants had pre-leased the entire property. Having never tackled a large new construction project, Lichter assumed his costs would prove in line with contractors' bids. They weren't. In the end he lost \$1 million.

In 2000 IRG bought 73-year-old McClellan Air Force Base near Sacramento. Excavators turned up some curious 55-gallon drums. One was labeled simply: "plutonium." The Air Force paid for the cleanup, pushing the renovation back six months. Still the base proved a good bet: It's now home to 240 small companies employing 14,000.

Most projects require some serious elbow grease. In 2005 Lichter shelled out

\$12.5 million for a 2.1-million-square-foot Lockheed Martin antimissile-missile plant in Akron. He ripped out the inefficient central heating, outsourced most of the maintenance and rewired the electrical system, slashing operating costs by 40%. Lockheed now leases back 845,000 square feet, with smaller manufacturers filling out the rest.

Serendipity helps. Last year Lichter paid \$2.5 million for a 4-million-square-foot Ford assembly plant in Lorain, Ohio. While he scrounges for tenants, Honda is leasing its 180 acres of parking lots to store cars.

Lichter's biggest deal to date: redeveloping Goodyear's 480-acre headquarters in Akron. He paid \$16 million for the site, on which he plans to erect a \$120 million headquarters for Goodyear that the company will lease back for at least 20 years, with an option for another 50. After a year of haggling the city of Akron agreed to guarantee Lichter's financing for both the land and \$700 million worth of development, including a retail mall and a Wyndham Hotel.

"I've kind of won the lottery," says Lichter. "I get to build a profitable business producing beautiful things that could have gone to waste." **F**