



Toxic Sites No Longer Poison to Developers

WITH INVESTORS again snapping up commercial real estate, a few entrepreneurs hope to turn a profit on properties they figure no one will want: toxic ones.

At least two have raised investment funds with the sole intention of buying shopping centers and industrial sites with asbestos-laced walls, benzene- and PCB-tainted soil and other environmental nightmares. Brookhill Group of New York has raised \$200 million to buy and clean up polluted retail centers; Boston-based Batterymarch Development Group is bringing in partners to do the same with industrial buildings.

"A lot of institutions just want to unload [the sites]," said Brookhill's president, Ronald Bruder. "They panic when they hear 'environmentally distressed.' We salivate."

Mr. Bruder says that because the properties' sale prices are low, annual returns of 25% and up are possible; Batterymarch Vice President Jack MacSwan says his firm is aiming for 20% to 50%. Batterymarch has teamed up with ERM New England, an environmental services firm, to cleanse industrial sites.

"It's an interesting angle," says Renny Merritt of Aldrich, Eastman & Waltch, a Boston-based real-estate company. The eagerness of owners to dump polluted properties, he says, "might, in some cases, be an irrational reaction to the marketplace."

Mr. Bruder says his investors don't want him to say which properties he has bought, fearing the publicity will scare potential tenants.

Batterymarch has acquired five properties. The key in selecting them, explains Mr. MacSwan, was determining whether cleanup costs might spiral out of control.

"There are certain things we'll avoid," he says, "like Superfund sites, where you'll be married to the EPA for 30 years."