

“I’m Ready to Sell/Buy/Lease....I Think”

Making the decision to sell your property in these uncertain market times is a choice to be weighed carefully. Do you hang on, hold out the “not a recession” economy? Should you lease out the property? If you use the property, should you be sharing it? Can you, or your business afford to let it go? It’s tough goings in our business communities, so asking these kind of questions of yourself just mirrors what a potential buyer or tenant will be asking of themselves.

If making the decision to sell, consider what kind of property you own, and what is currently on the market in your area. This is the point where you need to find a good commercial agent. Someone who specialized in the commercial sector will be able to find you comparable listings, recent sales, and a target market for your property. The agent will be able to guide you through the decision process for pricing, marketing, and selling your property. Your agent should be able to work hand-in-hand with you and your attorney in making the choices in this process.

So, you’ve now had a chance to decide it’s time to do something with your property. What will that something be? Lease or sell? There are pro’s and con’s to either decision, so let us look at some basic considerations that can be used by either the buyer/seller, landlord/tenant.

1. What is your cash situation like? The answer to this is what determines the majority of sales. Simply put, the sale is made to liquidate an asset. This question can also help you decide on lease vs. sale. Leasing your property can generate income to cover the expenses of owning the asset, and can be an easier way of surviving the market downswing. Selling the property can help solve cash flow, eradicate long term debt, or relieve the burden of property ownership. On the negative side, this is a buyer’s market. Investors are looking for owners that are desperate. Tenants are looking for space that is, to put it bluntly, cheap.
2. If you were a potential buyer/tenant, what terms on the property would make it competitive? Take time to really consider the market, and who would be interested in your property over another. Your determination of who, what, where, when and why should be reflected in your terms, whether it is to sell the property, or to lease it. If your property is in an area with similar type spaces, with similar or complementary industries, your terms need to reflect that. If your property is outside the commercial district, or in an area that promotes multi-usage, you need to consider your financial flexibility.
3. What is the economic future of your area? Knowing what local industries are coming into the market, or leaving the market can give you great leverage as a property owner. This means staying in contact with the business networking groups, community leaders, watching the news, and for business owners, what your clients are telling you. Listening to the information available can be your biggest asset in these times. Developing a reputation for listening can also be pivotal in getting a contract. The owner that will listen is usually the owner that understands and will be more amenable to negotiation.
4. Is your property ready for the considered change? This may seem to be an innocuous question, but it should be carefully weighed. Beyond making repairs, needed upgrades, or cleanup, you need to make sure you have a copy of zoning permits, financials, surveys, engineering for

building(s), and property disclosures for your agent and attorney. These items are essential to a smooth property transaction. They are even more necessary when contemplating a lease or sublet of space, since there are limits on what kind of commercial enterprise can be put onto a property. Be aware of any zoning changes, amendments, or proposals in your area.

5. Short term lease or long term change? Basically, with commercial real estate, you have two types of owners; the business owner and the investor. One buys to create or enhance the income cycle, and the other buys in anticipation of the future market. Both types of owners are investing capital in, in order to create more capital. Typically, people do not buy property with the intention of losing money on a deal. So saying, for some property owners considering a lease for the short term, i.e. economic upswing, is a better option from a tax standpoint. If the income covers the expenses of owning the property, it becomes a wash. From the long term side, a sale can create capital gains (losses), and a loss of an asset. Check with your accountant to be certain of how past depreciation will be handled at the end of the tax year, if you decide to sell.

6. Can a buyer/tenant afford your terms? Typically, a commercial property loan requires a down payment of 20% or more. Figure that 20% into an actual dollar amount then add in standard costs of moving, including insurance, utility transfer fees/deposits, and the myriad other details involved when moving or starting up a business. That is the initial cost of purchasing commercial property that a buyer is looking at. In calculating lease terms, you need to know the breakdown of the costs associated with the space, along with any additional fees, such as common area maintenance (CAM). By the time all the calculations are done, some leases can be priced way beyond the financial means of prospective tenants. Then add in all the costs of moving mentioned above, and understand the need to be competitive and flexible on terms.

7. You've made the decision to lease, now what? Presumably, you've found an agent. Hopefully the agent has experience dealing with the type of space you're leasing. Since the commercial real estate industry tends to create specializations, you really want an agent that has a history with what you're offering. So, all of the collected information is put together by your agent and you're ready to go. You've decided what kind of terms are acceptable to you as the landlord, and due consideration has been given to what you'd like from a tenant, so a lease is essentially ready. Duration of the lease, tenant obligations and rights, landlord obligations and rights have all been put down in black and white. Time to sit back, and wait for the agent to reel in a live one for you. If you live in Utopia, maybe. Remember, at this point it is still a buyer's market, and that holds true for tenants. So you need to be actively involved and in communication with your agent. You heard from your pastor that the mechanics shop he used to go to in the next town over is looking to move his shop here, and the pastor remembered that you happen to own a vacant garage. Call your agent with that information and keep following up with your agent. Expect updates, feedback, and reports.

8. Leasing is not an option, and you just want out? Well, check out the above section. Omit the landlord/tenant lines and substitute buyer/seller. Until you go to the closing table, you are still the owner, and everything else is just potential.

9. What will help show my property? Realistically, the difference in showing commercial property and residential property is minimal. What the commercial buyer is looking at is the same, just the details of the space are different. So, here is a bullet list of tips for showing your property.
- ✓ The “curb appeal”. The first impression counts, and no one wants to look at a shabby or tired exterior. A commercial property needs to be appealing not only to clients, but employees and the community. Play up the outside amenities if you have them, with spotlights and landscaping.
 - ✓ “Interior Decorating”. Sounds odd, but clean floors, neutrally painted walls, and a well maintained interior reflects the integrity and care of the owner, be it a home or an office. In a warehouse, the same holds true, and it also brings a level of expectation to a prospective tenant.
 - ✓ Ambiance. Lights on, temperature set to a nice comfortable level, and odors neutralized. You can’t be stingy with the services if you want to move your property.
 - ✓ Knowledge. Be aware of all the features of your property. Be able to point them out, answer questions, and use them to enhance other selling points. You knowing what other businesses are in the area, what type of clientele are represented in the community, and what is going on in the market will be key selling points for your property.

At this point, may I say congratulations on your decision! Not an easy choice to make and not as simple as most people seem to think. I’ve taken the time to put this letter together not as an all inclusive, everything you need to know set of steps; but rather as a source of contemplation for anyone considering these choices, from either end of the commercial real estate spectrum.

With my background in both the residential and commercial real estate market, I’ve found that no transaction is ever the same because every client is different. Different properties, different needs, different expectations; all of which equals different markets. Every person that reads this letter, will read it with a different understanding of the material, and walk away with a different view of the points presented.

Hopefully, everyone who reads this will at least be aware of the basic goal of this oration. That goal would be to go into any commercial real estate decision with questions, and a mind open enough for multiple answers. On a self-promotion angle, I’d like to take this opportunity to point out that my accreditation as a Certified Commercial Investment Member (CCIM) means I am one of the few agents in this area who is specifically trained to help you find those answers. Please feel free to call me for more details on how I can serve your commercial real estate needs.